

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Madrid swims against the mainstream, Page 17

No. 29,875

Monday March 10 1986

D 8523 B

London	100.00	100.00	100.00	100.00
Paris	100.00	100.00	100.00	100.00
Frankfurt	100.00	100.00	100.00	100.00
Geneva	100.00	100.00	100.00	100.00
Stockholm	100.00	100.00	100.00	100.00
Oslo	100.00	100.00	100.00	100.00
Copenhagen	100.00	100.00	100.00	100.00
Helsinki	100.00	100.00	100.00	100.00
Brussels	100.00	100.00	100.00	100.00
Amsterdam	100.00	100.00	100.00	100.00
Madrid	100.00	100.00	100.00	100.00
Lisbon	100.00	100.00	100.00	100.00
Porto	100.00	100.00	100.00	100.00
Barcelona	100.00	100.00	100.00	100.00
Valencia	100.00	100.00	100.00	100.00
Seville	100.00	100.00	100.00	100.00
Granada	100.00	100.00	100.00	100.00
Malaga	100.00	100.00	100.00	100.00
Almeria	100.00	100.00	100.00	100.00
Cadix	100.00	100.00	100.00	100.00
Huelva	100.00	100.00	100.00	100.00
Badajoz	100.00	100.00	100.00	100.00
Extremadura	100.00	100.00	100.00	100.00
Castilla-La Mancha	100.00	100.00	100.00	100.00
Castilla y Leon	100.00	100.00	100.00	100.00
Galicia	100.00	100.00	100.00	100.00
Asturias	100.00	100.00	100.00	100.00
Basque Country	100.00	100.00	100.00	100.00
Navarre	100.00	100.00	100.00	100.00
Aragon	100.00	100.00	100.00	100.00
Catalonia	100.00	100.00	100.00	100.00
Valencia	100.00	100.00	100.00	100.00
Balearic Islands	100.00	100.00	100.00	100.00
Canary Islands	100.00	100.00	100.00	100.00
Madrid	100.00	100.00	100.00	100.00
Barcelona	100.00	100.00	100.00	100.00
Valencia	100.00	100.00	100.00	100.00
Seville	100.00	100.00	100.00	100.00
Granada	100.00	100.00	100.00	100.00
Malaga	100.00	100.00	100.00	100.00
Almeria	100.00	100.00	100.00	100.00
Cadix	100.00	100.00	100.00	100.00
Huelva	100.00	100.00	100.00	100.00
Badajoz	100.00	100.00	100.00	100.00
Extremadura	100.00	100.00	100.00	100.00
Castilla-La Mancha	100.00	100.00	100.00	100.00
Castilla y Leon	100.00	100.00	100.00	100.00
Galicia	100.00	100.00	100.00	100.00
Asturias	100.00	100.00	100.00	100.00
Basque Country	100.00	100.00	100.00	100.00
Navarre	100.00	100.00	100.00	100.00
Aragon	100.00	100.00	100.00	100.00
Catalonia	100.00	100.00	100.00	100.00
Valencia	100.00	100.00	100.00	100.00
Balearic Islands	100.00	100.00	100.00	100.00
Canary Islands	100.00	100.00	100.00	100.00

Fabius takes hard line on kidnaps

French Prime Minister Laurent Fabius pledged that his government would stand firm in response to "blackmail" by Islamic fundamentalists who kidnapped four French TV journalists at the weekend in Beirut.

Israeli convention

Israel's divided right-wing Herut party, the largest party in the Likud bloc, which is in coalition with the Labour Party, opened its first convention for seven years deeply divided by a bitter leadership quarrel.

Ugandan town held

The National Resistance Army, which seized power in Kampala in January, said it had captured the northern Ugandan town of Gulu, the main remaining outpost of former government troops.

Contra deal sought

The US Administration and Democrats in Congress are exploring a compromise over President Ronald Reagan's request for \$100m to help Contra rebels fighting to overthrow the left-wing government in Nicaragua.

Four killed in SA

Two men and two women, all black, were killed in the worst violence reported since South Africa lifted its state of emergency on Friday. The disturbances affected townships in three of the country's four provinces.

Colombian poll

Colombians voted to elect a new congress under a tight security blanket set up to counter possible guerrilla attacks.

Palme hunt denied

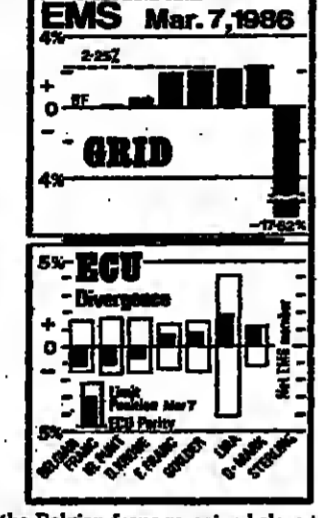
Swedish police denied Turkish newspaper reports that Kurdish guerrillas were prime suspects in the search for Prime Minister Olof Palme's killer.

UK poverty trap

The number of people in the UK poverty trap - where income increases are largely negated by benefit cuts and tax - has grown five-fold since 1979, the Low Pay Unit says.

Manila may not repay \$2bn loan

THE PHILIPPINES may suspend repayments on foreign loans used to finance a \$2.1bn nuclear power plant after allegations that an \$80m payment to ousted President Ferdinand Marcos was involved.



the Belgian franc remained close to their cross-rate intervention limits against the D-Mark but were still within their respective allowable movements from Ecu central rates.

MULTI-FIBRE ARRANGEMENTS: Representatives of developing textile-exporting countries signed a communiqué in Peking that appeared to satisfy their diverse interests.

ERICSSON, the Swedish telecommunications and electronics group, has signed a letter of intent with Digital Equipment of the US, the world's second largest computer manufacturer, to form a joint venture to produce information systems for banking.

VICKERS: Management of the UK warship yards is to go ahead with Trafalgar House, which failed in its bid to buy Vickers, may challenge the decision in the courts.

A CENTURY and a half ago, William Cobbett's Rural Rides caught the spirit of the fast-changing economy of southern England. In industry Year John Lloyd has retraced some of Cobbett's steps as well as travelling further afield to report on Britain's industrial landscape.

Technology: US microchip maker in \$20m gamble... Management: Fujitsu learns to live with the US... Editorial comment: tin; Gorbachev... UK industry year: brave, new, brash London... Foreign affairs: Spain against the mainstream... Lombard: only the clever get to work... Lex: Wall Street floats on oil... Indonesia: Survey... Section III

LME faces lawsuits over decision to close tin market

THE LONDON Metal Exchange, the world's leading metals market, is braced for a spate of lawsuits from aggrieved brokers and others in the tin trade after its decision on Friday to close all tin contracts at a fixed price and shut the tin market permanently, writes Stefan Wagstyl in London.

The exchange's board and committee had to write a new rule into its rulebook to make the unprecedented order.

By setting a \$5,250-a-tonne settlement price, which has to be paid by Wednesday, the board and committee have in effect spread the losses from the 13 traders directly involved with the International Tin Council to the other 12 ring-dealing members and the exchange's clients.

Many traders, including some who believe the authorities took the best course in difficult circumstances. They point out that those who stood to make big profits from a price collapse might have been unable to claim them, since the counterparty to the deals might have been among those driven into bankruptcy.

But some traders angrily accuse the LME board and committee of exceeding its powers and of making up new rules after the event. The LME board and committee accept that they might have acted. But they decline to comment on the advice they have received from their solicitors, Linklaters and Paines.

There has already been a hint of what might happen. In January, Shearson Lehman Brothers, part of the American Express financial group and associate of LME member Shearson Lehman Metals, sent a solicitor's letter to the LME board asking it to declare that, while the suspension of tin trading applied to business between brokers, it should not apply to trades between brokers and clients.

The LME refused to make such a distinction. One broker said yesterday: "All hell will break loose now."

The tin crisis arose in October when the International Tin Council, which ran an inter-governmental price-support pact on behalf of 22 nations, ran out of money. Attempts to refinance the council broke down in acrimony last week, although the council is still trying to renew the rescue plans.

The world metals trade faces estimated losses of about £300m in the wake of the failure of negotiations between the council, brokers and banks.

Brokers believe that while the LME will survive the shock, one or two companies might face severe difficulties. If they do not go bankrupt immediately, they might wind down voluntarily over the next few months.

The total losses are calculated on the basis of the \$5,250-a-tonne settlement price, which the London Metal Exchange fixed on Friday for the settlement of all outstanding contracts on the exchange, and on the assumption that free market tin

prices will now fall to £4,000 a tonne. The numbers, derived from a Peat, Marwick, Mitchell audit of the tin council's finances, suggest that 24 companies, mostly LME traders and their associates, will lose £180m on contracts struck directly with the ITC. However, fixing a settlement price on paper transactions still leaves some traders and others holding tin metal, which will be worth not £5,250 a tonne but the free market price.

Eight traders, including Shearson Lehman Brothers and West Germany's Metallgesellschaft group, which were involved in special deals with the ITC, are left with 27,000 tonnes of tin. If free market prices fall to £4,000, they face losses of some £20m on that metal.

An array of traders, metals and mining companies, holding metal stocks that were hedged on the LME, will split the remaining loss between them. At £4,000 a tonne, they will lose some £70m.

Thus, the metal trade's losses total just over £300m, most of it affecting LME companies and their associates. In addition, the banks that lent money to the ITC face a loss of some £100m - the difference between their loans and the value of the 40,000 tonnes of tin they hold as collateral, priced at £4,000 a tonne. Unlike some of the brokers, the banks can probably afford to wait for a price improvement before they sell.

With some 85,000 tonnes of metal overhanging the market in Europe, and more on its way from the Far East, they may have to wait some time.

THE ONTARIO Supreme Court has ordered a Canadian mining company to hand over one of the country's newest and richest gold mines to a competitor.

After a five-month trial in Toronto, the court upheld a claim by International Corona that Lac Minerals of Toronto improperly acquired mining rights to a 400-acre property in the Hemlo area of western Ontario five years ago from the elderly widow of an American prospector with whom Corona was also negotiating for the purchase of the property.

The mine built on the property, one of three in the Hemlo area, was commissioned last year with an annual production capacity of almost 0.2m ounces of gold and reserves estimated at 8.3m ounces. Corona is Lac's partner in one of the other Hemlo ventures.

Lac, which is relying on the Hemlo mine to make its Canada's biggest gold producer, indicated over the weekend that it will appeal against the ruling. Lac operates three other gold mines in Ontario and Quebec, but the loss of the Hemlo property is expected to be a devastating blow to the company.

Mr Justice Holland ordered Lac to surrender the Hemlo mine and mill to Corona as well as all profits earned from the operation plus interest. He said the damages award was worth C\$700m (US\$450m) compared with Corona's original claim of C\$30m. Corona will have to reimburse Lac for C\$150m in development costs.

The dispute between Lac and Corona dates back to the heady days of the 1970s when Lac was a small mining company and Corona was a large one.

Imperial is seeking a buyer for its crisp operations to overcome objections from the British Office of Fair Trading (OFT) that Imperial's proposed £2.4bn (US\$400m) merger with United Biscuits would give the combined company too large a stake in the UK snack-food market.

Imperial and United, with its KP brand, would have had about 40 per cent of the £300m UK snacks market. The two companies want to merge to save Imperial from a hostile takeover bid - also worth about £2.4m - from Hanson Trust, the industrial conglomerate headed by Lord Hanson. Imperial hopes to receive £55m to £60m from the sale of Golden Wonder, £10m-£15m less than it might have expected had the sale been taking place in less rushed circumstances.

Imperial said it did not expect to reach agreement on the sale before the end of this week at the earliest. It believes the OFT will be satisfied with an agreement in principle, Continued on Page 18

EEC heads for clash over farm spending

EUROPEAN Community finance ministers will be urged today to set strict new limits on farm spending or face a budget crisis that threatens to exhaust Community income before the end of next year.

A clash is expected between the proponents of budgetary discipline - including the UK, the Netherlands and, usually, West Germany - and those such as Italy, Ireland and Greece, which are determined to protect EEC farm spending from the full effects of the fall in the dollar and the cost of selling surplus food stocks.

Both the councils of finance and foreign ministers - the two top policymaking bodies - are to hold their first budgetary debates of the year amid predictions of the rising burden of EEC spending programmes and severely limited resources.

Official figures submitted by the European Commission suggest that the Community will just be able to live within its means this year and next thanks to the increase in member states' contributions from last January 1.

The contribution is the so-called 1.4 per cent value-added tax ceiling, the amount calculated from that percentage of retail sales of a common basket of goods and services in each member state.

Unofficial calculations, however, suggest that EEC revenues might be exhausted next year if they are not already pushed to the limit by a supplementary budget before the end of this year.

Court tells Lac to give up Hemlo gold mine

THE ONTARIO Supreme Court has ordered a Canadian mining company to hand over one of the country's newest and richest gold mines to a competitor.

After a five-month trial in Toronto, the court upheld a claim by International Corona that Lac Minerals of Toronto improperly acquired mining rights to a 400-acre property in the Hemlo area of western Ontario five years ago from the elderly widow of an American prospector with whom Corona was also negotiating for the purchase of the property.

The mine built on the property, one of three in the Hemlo area, was commissioned last year with an annual production capacity of almost 0.2m ounces of gold and reserves estimated at 8.3m ounces. Corona is Lac's partner in one of the other Hemlo ventures.

Lac, which is relying on the Hemlo mine to make its Canada's biggest gold producer, indicated over the weekend that it will appeal against the ruling. Lac operates three other gold mines in Ontario and Quebec, but the loss of the Hemlo property is expected to be a devastating blow to the company.

Mr Justice Holland ordered Lac to surrender the Hemlo mine and mill to Corona as well as all profits earned from the operation plus interest. He said the damages award was worth C\$700m (US\$450m) compared with Corona's original claim of C\$30m. Corona will have to reimburse Lac for C\$150m in development costs.

The dispute between Lac and Corona dates back to the heady days of the 1970s when Lac was a small mining company and Corona was a large one.

Pressure mounts for Land Rover buy-out scheme

THERE ARE signs of mounting pressure within the UK Cabinet for Land Rover, the subsidiary of state-owned BIL, to be sold to its present management rather than disposed of, together with Leyland Trucks, to General Motors of the US.

Reports of a Cabinet "revolt" with Mr Nigel Lawson, Chancellor of the Exchequer, opposing the GM solution and pressing for a management buy-out, were denied last night.

However, there was no denial of a suggestion that Mr Lawson told a special seven-man Cabinet meeting that he would be prepared to see Land Rover sold to its management even if the price was much lower than GM offered.

Mr Lawson has been an advocate of management takeovers and Friday's announcement of such a solution for the state-owned Vickers warship yards shows that there is still strong support for the method.

The attitude at Downing Street yesterday was that no decision had been taken and that all options were still open. A decision is expected before Easter.

The major problem facing the Government is that whereas Land Rover has attracted four bids - the other two being from Lomax and Avelling Barford - GM is the only bidder for Leyland Trucks. Leyland Trucks has made heavy losses and cannot be expected to break even until next year at the earliest. GM at the weekend insisted that it was only interested in a complete package - Leyland Trucks plus Land Rover.

Tory MPs opposed to the GM bid believe that Mr Lawson and ministers such as Lord Whitelaw, Mrs Thatcher's deputy, and Mr Peter Walker, Energy Secretary, are now pressing for a management buy-out.

Mr Anthony Beaumont-Dark, a Conservative MP whose constituency includes Land Rover, said yesterday there were strong reports at Westminster that Mr Lawson favoured this in an attempt to strengthen his support for wider share ownership.

There were signs yesterday that Mr Norman Tebbit, Conservative Party chairman, who has backed the GM bid, was softening his attitude.

"My ideal would be that a British option would arise that was the best option for the company," Mr Tebbit, a former Trade and Industry Secretary, said on television.

At the same time, he thought it would be "crazy" to take a British option which was led for the company, rather than an American one which was better.

He said he was aware of the possibility of a massive backlash of public opinion if Land Rover went to the Americans.

He accused Mr Edward Heath, the former Conservative Prime Minister, of wildly inaccurate statements in his campaign against the GM deal.

David Thomas writes: Opposition to the sale of Leyland Trucks to GM was expressed by a conference in Liverpool yesterday of 100 workers' representatives from GM plants in 23 countries.

US broking system to be offered in Europe

By Alan Cane
A COMPUTER-BASED securities trading system that eliminates the need for a physical market floor and enables dealers to make bargains automatically and electronically is to be offered to Europe's stock exchanges and larger stock-broking houses.

The system, the National Securities Trading System (NSTS), is the most advanced electronic stock exchange in the world. It was developed for the Cincinnati Stock Exchange, Ohio, where it has been "live" since January 1985. Cincinnati is the smallest exchange in the US but the fastest growing. Its growth has been attributed to its use of NSTS.

The chief significance of NSTS in Europe is that it will offer exchanges and trading houses that have been slow to develop their own advanced automated market systems a chance to leapfrog into the electronic age with a proven system and without the high costs and risks of writing their own system.

The Cincinnati exchange has agreed with Software Sciences, a leading UK computer software company that is part of the Thorn EMI group, to explore the possibilities of marketing NSTS in Europe.

Mr Richard Niehoff, president of the Cincinnati exchange, said he was unwilling to market the system in the US because it would take away his competitive advantage. He thought that European exchanges using NSTS would prove complementary to Cincinnati.

The older European exchanges are known to be concerned about the threat to their business from developments in London.

Details, Page 18

International	2-3	Financial Futures	24
Companies	19-21	Intl. Capital Markets	19-21
World Trade	4	Law	24
Britain	6, 8-10	Letters	17
Companies	22	Lombard	17
Appointments	24, 30	Management	14
Arts - Reviews	15	Men and Matters	16
World Guide	15	Money Markets	34
Construction	25	Stock markets - Bourses	31
Crossword	25	Wall Street	23-25
Currencies	34	London	28-29
Editorial comment	16	Technology	12
Barobonds	19	Unit Trusts	25-27
		Weather	18

Technology: US microchip maker in \$20m gamble	12
Management: Fujitsu learns to live with the US	14
Editorial comment: tin; Gorbachev	16
UK industry year: brave, new, brash London	16

Foreign affairs: Spain against the mainstream	17
Lombard: only the clever get to work	17
Lex: Wall Street floats on oil	18
Indonesia: Survey	Section III

YOUR SALES CURVE CAN BE AS BEAUTIFUL AS YOUR SWING.

Over 350 companies have successfully moved to Peterborough since 1973. Their business successes have been matched by their enjoyment of unrivalled sporting and leisure opportunities.

For our free guide to relocation, post the coupon to: John Bouldin, Peterborough Development Corporation, PO Box 3, Peterborough PE1 1UJ. Telephone (0733) 68931.

Name _____
Position _____
Company _____
Address _____
Telephone _____

The Peterborough Effect

OVERSEAS NEWS

Manila may halt N-plant payments

BY ALAIN CASS AND SAMUEL SENOREN IN MANILA

THE PHILIPPINES may suspend repayments on foreign loans used to finance the most expensive project built under former president Ferdinand Marcos—the country's only nuclear power plant—while the Government takes legal action to nullify the contract.

Mr Teodoro Guingona, newly-appointed chairman of the Commission on Audit, said yesterday that the \$2.1bn (£1.5bn) contract between Westinghouse of the US and the National Power Corporation (NPC) to build the Bataan plant was grossly defective. It has also been alleged in the US that a payment of \$80m was made to Mr Marcos in connection with the contract.

The plant has a long and controversial history. Built in the late 1970s, it has never operated and President Corason Aquino said during her election cam-

aign that it never would, on safety and environmental grounds.

Foreign loans acquired to finance the plant amounted to \$1.5bn. Major lenders included the US Export-Import Bank and a syndicate of banks led by Citicorp of the US which is also one of the biggest private lenders to the Philippines.

The Manila government has said it wants to re-negotiate its \$260m foreign debt and the way in which it handles its anti-corruption drive will be closely watched by foreign companies.

A senior government official confirmed yesterday that any contracts where illicit payments were suspected to have been made by foreign companies would be reviewed and "everything possible will be done under the law to recover the money."

The Westinghouse case could prove difficult to document because the plant has already been completed, the official said. "But there are other more recent contracts we can look into." It is not clear whether pending contracts will be affected by the investigation.

Mr Guingona said: "While there is a dispute between the NPC and Westinghouse, which is being reviewed in court it would be natural for payments to be suspended." However, a final decision on suspension will be taken by President Aquino.

Apart from worrying international bankers, such a suspension is likely to be opposed by more experienced members of Mrs Aquino's administration, who will argue that it could seriously affect international confidence in the Philippines at a time when it needs it most.

The debate between the ideolo-

gists and the pragmatists in the new government is intensifying and Mrs Aquino is under growing pressure to label her administration a "revolutionary government." The Government has no legal basis and it needs a framework within which to carry out controversial reforms and consolidate its power by replacing officials loyal to Mr Marcos.

Mrs Aquino has been reluctant to use the "revolutionary" label because it might damage confidence abroad. She has been advised against it by diplomats from Europe and the US.

Mr Salvador Laurel, the vice president, has suggested that parliament should be suspended and a new constitution drawn up within a 100 days. This would be put to a referendum and followed by local and general elections.

Own land in the great American West

America. More than two hundred years old and still waiting for many people to claim their share of it. For themselves and for the future of their families. Imagine one of the most beautiful landscapes in the world and what it could mean to have part of it for your own.

What more perfect way to stake your claim than by purchasing five glorious acres in the Colorado Rockies for yourself and those you love. At Sangre de Cristo Ranches you can still own a sizable piece of America at a very modest cost and on easy credit terms. This is scenic land in one of the fastest-growing states in the USA, a piece of the unspoiled, romantic old Southwest.

Sangre de Cristo Ranches is a subsidiary of Forbes Inc., publishers of the highly respected American business and financial publication, FORBES MAGAZINE. The land being offered for sale to you is a part of the huge 258,000-acre Forbes Trinchera Ranch, one of the oldest of the remaining big ranches in America. A sportsmen's paradise in all seasons for hunting, fishing, riding, hiking and boating. With fine skiing less than 50 miles away, the ranch ranks among the world's best-known preserves for deer, elk, game birds and other wildlife.

You can own majestic mountain views of Trinchera Peak and Mount Blanca (higher than Pikes Peak) which stand as silent sentinels protecting the rolling foothills and

valley that make up our Sangre de Cristo Ranches. The land lies about 200 miles southwest of Denver, just east of US Route 160... the Navajo Trail. Its town is historic Fort Garland, the last command of Kit Carson. For as little as \$4,500 total cash price you can purchase your own 5-acre Sangre de Cristo Ranch, with payments as low as \$45 monthly.

Important money-back and exchange privileges backed by FORBES MAGAZINE's distinguished reputation have contributed much to the great success of this unusual land offering.

Five or more acres of this land can be yours. Easy credit terms available. For complete details on this wonderful opportunity, without obligation, please fill in and mail coupon today.

FORBES EUROPE
SANGRE DE CRISTO RANCHES INC.
P.O. BOX 86
LONDON SW11 3UT
ENGLAND

Name _____
Address _____
Telephone _____ 6671

Obtain the Property Report required by Federal law and read it before signing anything. No Federal agency has judged the merits or value, if any, of this property. Equal Credit and Housing Opportunity

Contra aid compromise sought

BY NANCY DUNNE IN WASHINGTON

THE REAGAN Administration and Congressional Democrats are exploring a compromise over President Reagan's request for \$100m (£68m) to help US-backed Contra rebels in Nicaragua.

Sen Christopher Dodd, a Connecticut Democrat and a key member of the Senate Foreign Relations committee said yesterday the Administration had come to realise that "Republicans as well as Democrats won't buy this programme... it is too much money and it won't buy us what we want."

Under negotiation is an agreement to put military aid for the rebels in escrow for six months while the Administration pursues peace talks with the Nicaraguan regime through Mr Philip Habib, the President's new special envoy to Central America.

Still at issue is whether a second Congressional vote would be needed to release the aid if peace talks fail.

Mr Elliott Abrams, Assistant Secretary of State for Inter-American Affairs said yesterday a second congressional loan would confirm "our hesitancy" to Nicaraguan neighbours.

"Every month's delay in getting the military assistance forces in another month for the Soviet and Cuban-backed forces to kill

Democratic resistance fighters," he warned.

The President was even more strident in his regular weekly radio address on Saturday.

"Nicaragua is a country held captive by a cruel clique of deeply committed Communists at war with God and man. How can Congress ignore this storm gathering so close to our homeland?"

Contra rebels have almost completely abandoned the battlefield and pose little threat to the leftist Sandinista Government, according to Western diplomats and Honduran government officials. Reuter reports from Tegucigalpa.

TWA steps up hostess battle

TWA, THE transatlantic airline, hit by a strike of 6,000 air hostesses, stepped up the fight against the flight attendants' union yesterday by claiming that it would be back to normal operations by the end of the week. Terry Redworth reports from New York.

The dispute, which followed the breakdown of talks on a wage-cutting plan for the hostesses, has forced the company sharply to reduce regular services.

The company's statement yesterday was accompanied by promises of 30 per cent fare reductions across the board.

Colombia poll marked by tight security

BY SARITA KENDALL IN BOGOTA

PRESIDENT Belisario Betancur's efforts to bring Colombia's guerrilla movement into the democratic arena are being tested in today's congressional and local government elections.

Apart from the usual array of conservative, liberal and other party candidates, voters can also choose former guerrilla fighters to represent them. Accusations of intimidation and armed propaganda have accompanied the campaign run by the Patriotic Union, electoral arm of the Soviet-line Revolutionary

Armed Forces of Colombia (FARC). Voting began amid strict state-of-siege security measures, with police and army units patrolling the capital.

The Government has promised severe penalties for anyone found trying to buy votes, and has dismissed or suspended over 200 civil servants allegedly involved in electoral fraud.

There are hopes that the abstention rate—traditionally over 50 per cent—will come down. However, residents in

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and as members of the Board of Directors, F. Balfour, R.A.F. McClean, G.T.S. Damer, M.C. Corson, D.E.P. Palmer, London. Printer: Frankfurt-Sozialdruckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Gullotstrasse 84, 6000 Frankfurt am Main 1. The Financial Times Ltd, 1986. FINANCIAL TIMES, USPS No. 10644, published daily except Sundays and holidays. U.S. subscription rates \$285.00 per annum. Second class postage paid at New York, NY, and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 69th Street, New York, N.Y. 10022.

Business Pages. One good book you won't lose yourself in.

Here's a business directory that's a little novel. It actually works. Business Pages has been carefully designed to solve business problems, not create them. For example, when you know the name of a company, but not the address and telephone number, you'll find the information under alphabetical listings.

ALPHABETICAL LISTING OF CLASSIFIED SECTOR

A	100
B	100
C	100
D	100
E	100
F	100
G	100
H	100
I	100
J	100
K	100
L	100
M	100
N	100
O	100
P	100
Q	100
R	100
S	100
T	100
U	100
V	100
W	100
X	100
Y	100
Z	100



It's also published in seven convenient geographical editions. Each relates to one of the major industrial/commercial centres in Britain.

If you're based in one of these areas, every year we'll send you your first local copy free (unlike most of our competitors).

Business Pages also has an identical index front and back. So whichever end of the book you

CLASSIFICATION INDEX

1	100
2	100
3	100
4	100
5	100
6	100
7	100
8	100
9	100
10	100
11	100
12	100
13	100
14	100
15	100
16	100
17	100
18	100
19	100
20	100
21	100
22	100
23	100
24	100
25	100
26	100
27	100
28	100
29	100
30	100
31	100
32	100
33	100
34	100
35	100
36	100
37	100
38	100
39	100
40	100
41	100
42	100
43	100
44	100
45	100
46	100
47	100
48	100
49	100
50	100

start, you'll find what you're looking for.

And to save you even more time, there's a useful 14 sector format. (Under 'Metals and Engineering' for example, you'll find everything from jigs, to saws.)

So take a closer look at Business Pages. You'll find it has simplicity written all over it.

Agriculture, Horticulture & Foodstuffs
Chemicals, Plastics, Oil & Gas
Metals and Engineering
Precision Equipment
Communications Electrical and Electronics
Mining, Drilling, Bore and Glass
Paper, Board, Packaging & Printing
Transport, Distribution & Warehousing
Building and Construction
Furniture, Woodwork & Interiors
Household, Giftware and Leisure Goods
Textiles and Clothing
Office, Factory & Education Supplies and Services
Business Services

BUSINESS PAGES
The Directory for Business People

SECTOR FORMAT ■
CLASSIFICATION INDEX ■
REFERENCE ON YOUR AREA ■
ALPHABETICAL LISTINGS ■

WEST PENNINES 1986

SECTOR FORMAT

OVERSEAS NEWS

Mubarak urges swift action on economy

By Tony Walker in Cairo

Egypt's President Hosni Mubarak has demanded swift action to deal with his country's economic problems...

French fears Beirut kidnappings

By David Marsh in Paris and Nora Soubany in Beirut

The weekend kidnapping of four French TV journalists in Beirut has placed renewed pressure on the French Government...

EEC Mafia report faces rejection

By Ivo Dawney in Brussels

A REPORT by the European Commission into links between the Mafia and farm frauds in Sicily is likely to be rejected as inadequate by a watchdog committee of the European Parliament...

Soares pledges political stability

By Diana Smith in Lisbon

MR MARIO SOARES, the new Portuguese President, has extended an olive branch to the minority Social Democrat Government...

Nato referendum battle nears end

By David White in Madrid

THE TWO organisations which have led the movement to vote Spain out of Nato in Wednesday's referendum staged a festive finale to their campaign yesterday...

EEC accused of failing to adapt to change

By Christian Tyler, Trade Editor

THE EEC nations' failure to adapt to change is stifling their domestic economies and damaging world trade and growth...

Divisions cloud Israeli right wing convention

By Andrew Whitley in Tel Aviv

ISRAEL'S right-wing Herut Party opened its first national convention for seven years in Jerusalem yesterday, deeply divided by a bitter leadership quarrel...

World Bank outlines action on hunger

By Michael Holman

Over 700m people are undernourished despite the fact that there are ample food supplies, says a World Bank report published today...

Opec crude oil output 'to fall by 1m b/d'

By [unintelligible]

CRUDE oil production by members of the Organisation of Petroleum Exporting Countries (Opec) will average nearly 1m barrels per day (bpd) less in the first three months of this year than in the last quarter of 1985...

Ugandan army captures strategic northern town

By Catherine Bond in Kampala

UGANDA'S National Resistance Army (NRA) said yesterday that it had captured the strategic northern town of Gulu, breaking the back of resistance by former government troops to the administration of President Yoweri Museveni...

French fears Beirut kidnappings

By David Marsh in Paris and Nora Soubany in Beirut

The kidnapping of a reporter and camera team of the Antenne 2 channel was claimed by the pre-Islamic Jihad Islam extremist group which has already captured four French nationals...

World Bank outlines action on hunger

By Michael Holman

Over 700m people are undernourished despite the fact that there are ample food supplies, says a World Bank report published today...

EEC accused of failing to adapt to change

By Christian Tyler, Trade Editor

THE EEC nations' failure to adapt to change is stifling their domestic economies and damaging world trade and growth...

TEST DRIVE THE NEW LOTUS EXCEL SE AT: AVON, BRISTOL, BUCKINGHAMSHIRE, CAMBRIDGESHIRE, CHESHIRE, DERBYSHIRE, DEVON/CORNWALL, EDINBURGH, ESSEX, GLAMORGAN, GLASGOW, GREATER MANCHESTER, GUERNSEY, HAMPSHIRE, JERSEY, KENT, LEICESTER, LINCOLNSHIRE, LONDON, LONDON, NEWCASTLE, NORFOLK, NOTTINGHAMSHIRE, STAFFORDSHIRE, SURREY, WEST MIDLANDS, WILTSHIRE, YORKSHIRE

BARCLAYS IN SWITZERLAND. Following the announcement that the Barclays Group has sold its shareholding in Barclays Bank (Suisse) SA, Barclays Bank PLC is pleased to announce the formation of a new, wholly owned, Swiss banking subsidiary: BARCLAYS BANK SA. The Head Office is located in Geneva, with branches in Zurich (incorporating the existing business of Barclays Bank PLC), Geneva and Lugano. The bank will offer a full range of private investment banking and commercial services in each branch.

HOT OFF THE LOTUS TEST TRACK. (Now take it round yours.) Everytime one of the new 1986 Lotus Excel SEs (or indeed any Lotus) passes out of our factory gates, you know it has passed the ultimate test. The Lotus driving team. On at least 3 road tests. And it's thumbs up only when these critical men are satisfied that the car performs like a Lotus should; that the three months of meticulous building and hand finishing have come together in what 'CAR' magazine describes as 'a special quality of handling... a driving characteristic you just don't find reproduced in other machines'.

WORLD TRADE NEWS

Companies sign \$400m Pakistan countertrade deal

BY FRANK GRAY

FOUR international trading companies are understood to have signed commercial agreements with the Pakistan Government to undertake \$400m in countertrade. The agreements provide for each of the companies to handle some \$100m in goods, to be divided equally between imports and exports.

The four companies are MG Services, the trading arm of the Metallgesellschaft and Louis Dreyfus groups of West Germany and France; Prudential Bache of the US; Sukden of France and Mitsubishi of Japan.

Under the agreements the four companies will, in effect, be responsible for implementing Pakistan's Government-sponsored countertrade programme. Islamabad's decision formally to back a national countertrade programme was first announced last year but it has taken until this month to develop a workable shortlist from the more than four dozen trading companies that sought to participate in the plan.

This stemmed partly from private sector concern over the effect the countertrade programme would have on Pakistan's traditional trading patterns and worries that goods imported through the countertrade mechanism would cost more than if they had been imported normally.

Because of this, the Government has given the companies a one-year trial period to boost the country's chronically weak trade performance. The countertrade programme originally envisaged a target of \$1bn in trade, divided 50-50 between imports and exports, but the Government has been less ambitious at this stage.

Pakistan's total imports for 1986 are expected to range between \$5.5bn and \$6bn, while its export target for the fiscal year ending June 30 is \$3.1bn. The Government is anxious to see the trade deficit narrowed, and this has motivated its drive to use countertrade as a device to achieve this objective.

Goods exported under countertrade are cotton yarn, raw cotton, rice, sports goods, fruit, vegetables, minerals, leather garments, chemicals, fish and fish products and steel products.

Insurance premium rise worries Japanese exporters

BY YOKO SHIBATA IN TOKYO

JAPANESE exporters, already under pressure from the effects of the rising value of the yen, face a dramatic increase in insurance premiums on product liability cover for manufactured goods exported to the US. Premium rates for US-bond products are set to rise by between 300 per cent and 500 per cent and the ceiling on insurance claims is to be reduced to half or one third of the previous year's level.

This reflects the tough stance taken by the three European reinsurers, Lloyd's of London, Swiss Reinsurance and Munich Reinsurance, because of their mounting losses on underwriting insurance against customer lawsuits in the US.

At the beginning of this year the three European reinsurers notified Japan's non-life insurers that they would not renew reinsurance contracts for fiscal 1986, starting April 1, unless claims against Japanese insurers fell. The three European reinsurers asked for the most vulnerable goods, such as cars, motor-cycles, bicycles and pharmaceuticals, to be excluded.

As a result Japanese reinsurers made a three-to-five-fold increase in premium on textiles, office automation equipments and machine tools because these are products on which claims are showing a sharp increase.

Cars are the most vulnerable US product liability suits. Each manufacturer used to take product liability insurance of ¥20bn, however, the ceiling on the insurable amount is being halved and premiums are set to increase 10-fold.

Non-life insurance companies are now refusing to cover car insurance on amounts up to ¥3bn and Japanese car makers will have to bear losses themselves.

Taisho, an insurance company said: "Japanese carmakers

are now on an equal footing with General Motors and Ford in the US as far as risk cost is concerned."

The European reinsurers also asked Japanese insurers to exclude goods manufactured in the US from their insurance cover. US subsidiaries of Japanese insurers underwrite products manufactured by Japanese car or electric appliance makers in the US, whose risks are reinsured in Europe

by their parent insurance companies in Japan.

A Japanese insurance company said: "Even though there is growing criticism of high product liability premiums as a non-tariff barrier, Japanese exporters will have to adapt to the changes. They will have to realise that exporting to the US is a high-risk and high return investment and that high risk will not any more be covered by product liability insurance."

Textile producers paper over differences

BY ROBERT THOMSON IN PEKING

REPRESENTATIVES of developing textile-exporting countries meeting over the forthcoming Multi-Fibre Arrangement (MFA) negotiations are resigned to an extension of the arrangement, although they want it to be abolished.

Diplomats said that during the closed meeting, which ended on Saturday, representatives worked to convince countries such as Bangladesh and India that an extension of the MFA, to run out in July, is inevitable and a campaign for it to be ended would be futile.

One diplomat from a represented country, however, said the agreement reached was "just on paper." Everything depended on "how the next world behaves... you can al-

ways agree and agree in a conference, but in real life it is different. I am not very hopeful," he said.

About 120 representatives of developing countries and international organisations gathered in what was their last meeting before talks begin after Easter on the future of the Council of the International Textile and Clothing Bureau, was reported by the Chinese news agency, Xinhua, as saying that the meeting was a success, but that continued unity is a necessity.

Wang Ruifang, vice-president of the China National Textiles Import and Export Corporation, told the gathering that China's textile exports, which account for a fifth of its export income, were hit last

Boeing hunts for more prop-fan airliner partners

THE JAPANESE aerospace industry's decision to take a 25 per cent stake in the financing, design, development and production of the 737, Boeing's revolutionary new \$3bn (£2.1bn) prop-fan airliner for the early 1990s, is expected to be followed soon by further international partnerships on the programme.

Boeing is already in discussion with other interested companies in the US, UK, Western Europe and elsewhere, with a view to some of them participating on the same risk-sharing basis as the Japan Aircraft Development Corporation (JADC).

Boeing says that "wherever there is an aerospace industry or company with the capability, we are talking to them," with a view to extending the 737 partnership arrangements.

The prop-fan airliner employs the principle of harnessing a propeller to a gas-turbine engine and in its latest form it uses new advanced designs for both. The propellers, for example, are shaped like aircraft wings, or even ship's screws, with 12 blades mounted on counter-rotating hubs.

The results are claimed to be cuts in fuel consumption of up to 40 per cent compared with the jet generation of turbo-fan (jet) engines, and up to 25 per cent compared with the new generation of turbo-fans now under development for use in such airliners as the Airbus A-320.

Prop-fan airliners are claimed to be just as fast as jet airliners, but much quieter, with less vibration and causing less pollution. Big prop-fan development programmes are under way by General Electric, Pratt & Whitney, and Allison Division of General Motors in the US, and Rolls-Royce in the UK.

Manufacturers involved, besides Boeing and the JADC, include McDonnell Douglas which has teamed up with Saab-Scania of Sweden, Aeritalia of Italy, and the Chinese Shanghai Aviation Industrial Corporation.

General Electric has already run its prop-fan "demonstrator" (which it calls an "Unducted Fan" or UDF) on a test-bed at Pelee, Ohio, and plans a joint flight test with Boeing this summer in a Boeing 727 airliner, with a prop-fan replacing one of the three jet engines.

Next year, McDonnell Douglas is to start its own flight test programme, using initially an Allison 578DX turbo-prop engine at the rear of an MD-80 twin-engine airliner. Later, McDonnell Douglas will also test-fly the GE prop-fan, and has plans for an MD-91X prop-fan airliner at about the same time as Boeing's 737 emerges.

So far Rolls-Royce has no plans for test flights of its prop-fan, but believes that the time-scale set by Boeing and GE is unrealistic. Pratt & Whitney earlier had similar reservations to Rolls-Royce, but the US company is now actively seeking a

Michael Donne reports on plans to develop a 150-plus seater twin engine aircraft by 1992, based on the revolutionary prop-fan engine.

link with Allison in the overall prop-fan programme, which means it will get into the flight-test phase next year.

This is significant because of the technical differences between the various types of prop-fan now under development. General Electric is working on a "gearless" prop-fan, the hot gas generated in the engine being used directly to turn the propellers without a gear-box.

Pratt & Whitney and Allison are aiming at a gear-box system, as is Rolls-Royce. The US research is jointly funded by the aerospace industry and the Government, through the National Aeronautics and Space Administration (NASA) so that to some extent the work done on both geared and gearless systems can be shared by all the US companies.

This accounts for much of Boeing's confidence. If the GE gearless prop-fan either does not work as well as expected, or indeed is a failure, Boeing can still use the Pratt & Whitney and Allison geared systems.

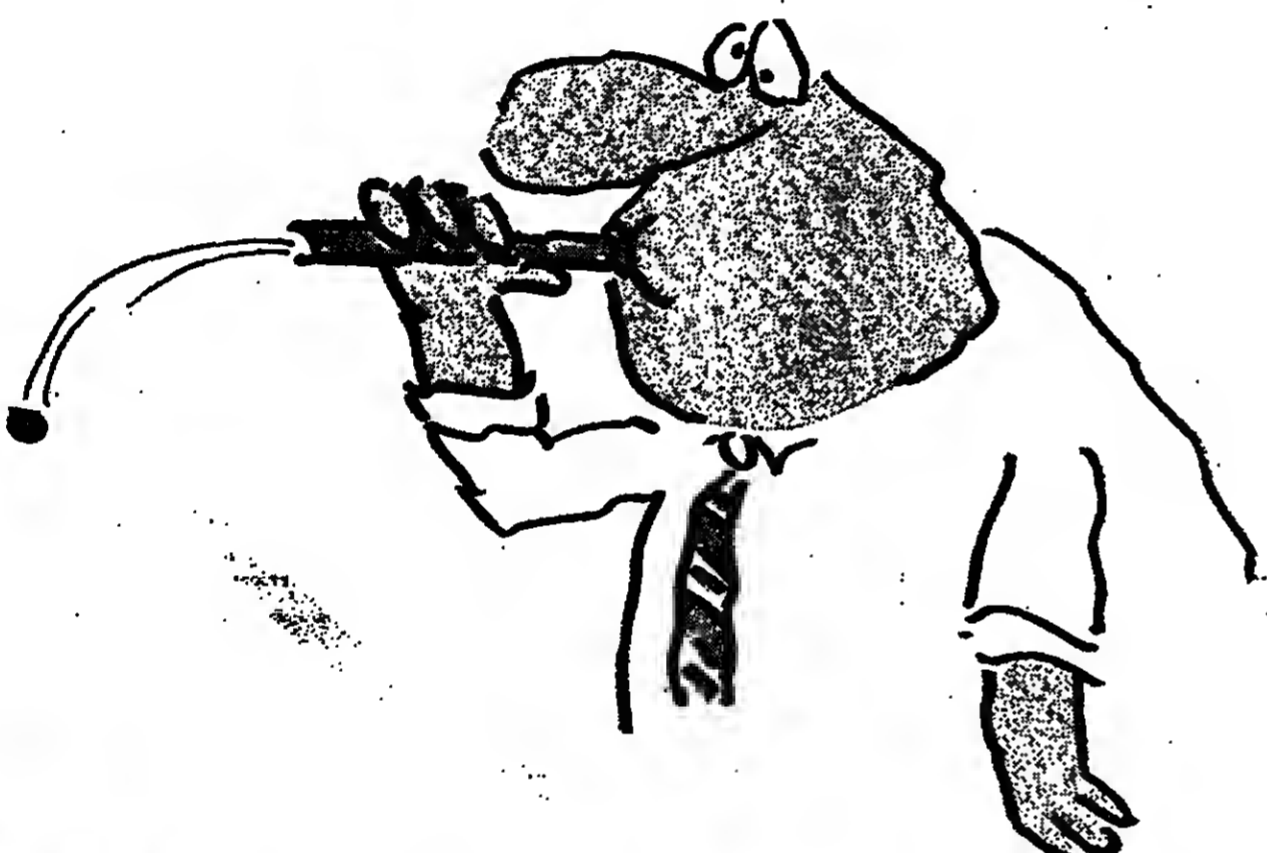
In the UK, Rolls-Royce's work is privately funded, but the time may well come when it will need to undertake a flight-test programme, and may need to seek Government financial assistance.

Boeing itself accepts that the claims for the prop-fans have to be justified, which is why it is pushing for the early start to the test-flights. The sooner the validity of the concept can be proved, the sooner it can authorise full-scale development of the 737, without fear of the programme being subsequently delayed or amended if something were to go wrong with the prop-fan.

As things now stand, Boeing already has 600 engineers working on prop-fans and this will rise to over 1,000 by the end of this year. Boeing's plan envisages GE giving the production go-ahead for the engine by the end of this year, with the engineering go-ahead on the airframe in mid-1987.

The time-scale is tight, but Boeing and GE believe they can make it. The entry of Japan into the team is a big boost to the credibility of the 737, and it is now certain that other companies elsewhere will join over the months ahead.

McDonnell Douglas is also seeking risk-sharing partners, having already linked with Saab-Scania, Aeritalia and the Chinese, and it could now be a battle between itself and Boeing to win new partners for their respective programmes.



You won't win tomorrow's business battles with yesterday's office technology.

Everyone knows business today has become more competitive, more of a battle. A struggle for growth, a fight for profits.

But to win this battle, companies need the right approach, the right business ammunition on call day after day, year after year.

At Data General we understand this need; our philosophy is built around it.

A philosophy built around providing total solutions for our customers. Helping customers win when the competition is really working hard.

This is why Data General has become one of the world's leading providers of the new generation of integrated office automation systems.

Our Comprehensive Electronic Office is a highly integrated approach to word processing, electronic mail, information retrieval, personal computing

and data processing which uses the same commands for everything. It interfaces with most other equipment, including IBM*. And even lets you interrupt work on one job to carry out another, before resuming the original task.

At Data General, we believe that we appreciate better than anyone else what today's top innovative companies are seeking.

And we are better geared to deliver advanced solutions, while others are still offering yesterday's technology.

If you are out to win the battle for growth and profits, you need to talk to Data General first about Office, Business and Industrial Automation.

Please call or write to Rob Baird at Data General Limited, Hounslow House, 724-734 London Road, Hounslow, Middlesex TW3 1PD. (01) 572 7455.

*IBM is a registered trademark of International Business Machines Corporation.



Data General
a Generation ahead in Office Automation.

SHIPPING REPORT

Gulf war and oil price unsettle traders

FINANCIAL TIMES REPORTER

THE RESUMPTION of serial attacks on tankers in the Gulf after a period of relative quiet has left owners facing a further trading hazard. With crude oil prices still sliding, the main cargoes being moved are those under realisation contracts, says shipbroker E. A. Gibson.

At the same time, there was a somewhat better inquiry pattern from the Gulf, with charterers mainly concentrating on Suez Canal size vessels enabling them to maximise the time between cargo delivery and payment.

In the clean market, the larger 50,000-60,000 tonners had difficulty finding work. West African activity maintained its previous momentum and the Mediterranean market, after a busy start, quietened down somewhat.

In the sale and purchase market, shipbroker Galbraith's said the tanker section had experienced its most active week for some time thanks mainly to Italian buyers. Otherwise there was little other cause for excitement.

World Economic Indicators

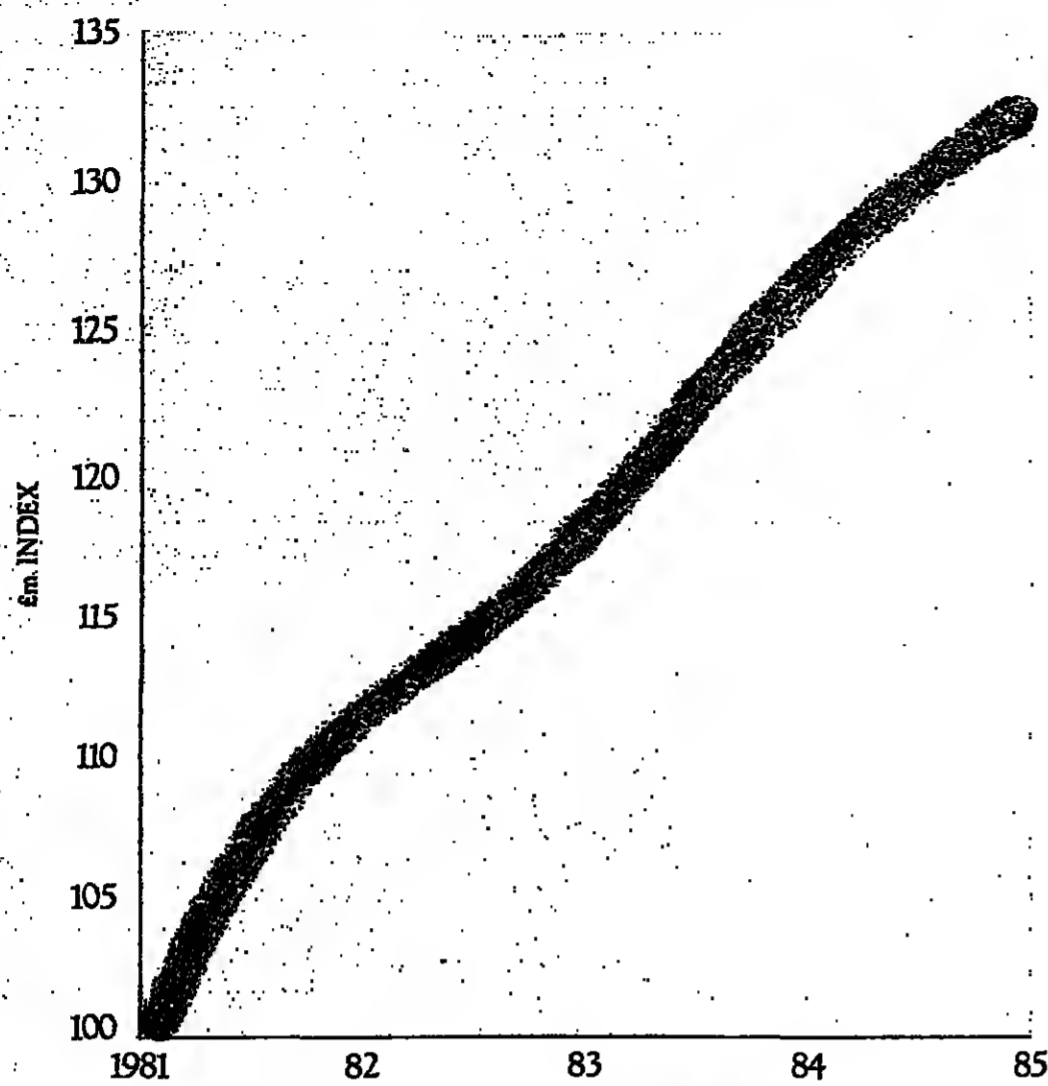
FOREIGN EXCHANGE RESERVES (US\$bn)

	Jan. 86	Dec. 85	Nov. 85	Jan. 85
US	13,218	12,856	12,553	6,270
UK	9,234	9,740	10,288	6,739
W. Germany	39,653	39,225	39,003	34,203
Japan	22,769	22,228	21,994	22,544
Italy	12,204	14,028	15,890	19,977
Belgium	4,537	3,949	3,909	3,625
Netherlands	9,267	9,770	8,893	7,624
France	24,319	21,502	21,081	19,192

Source: IMF

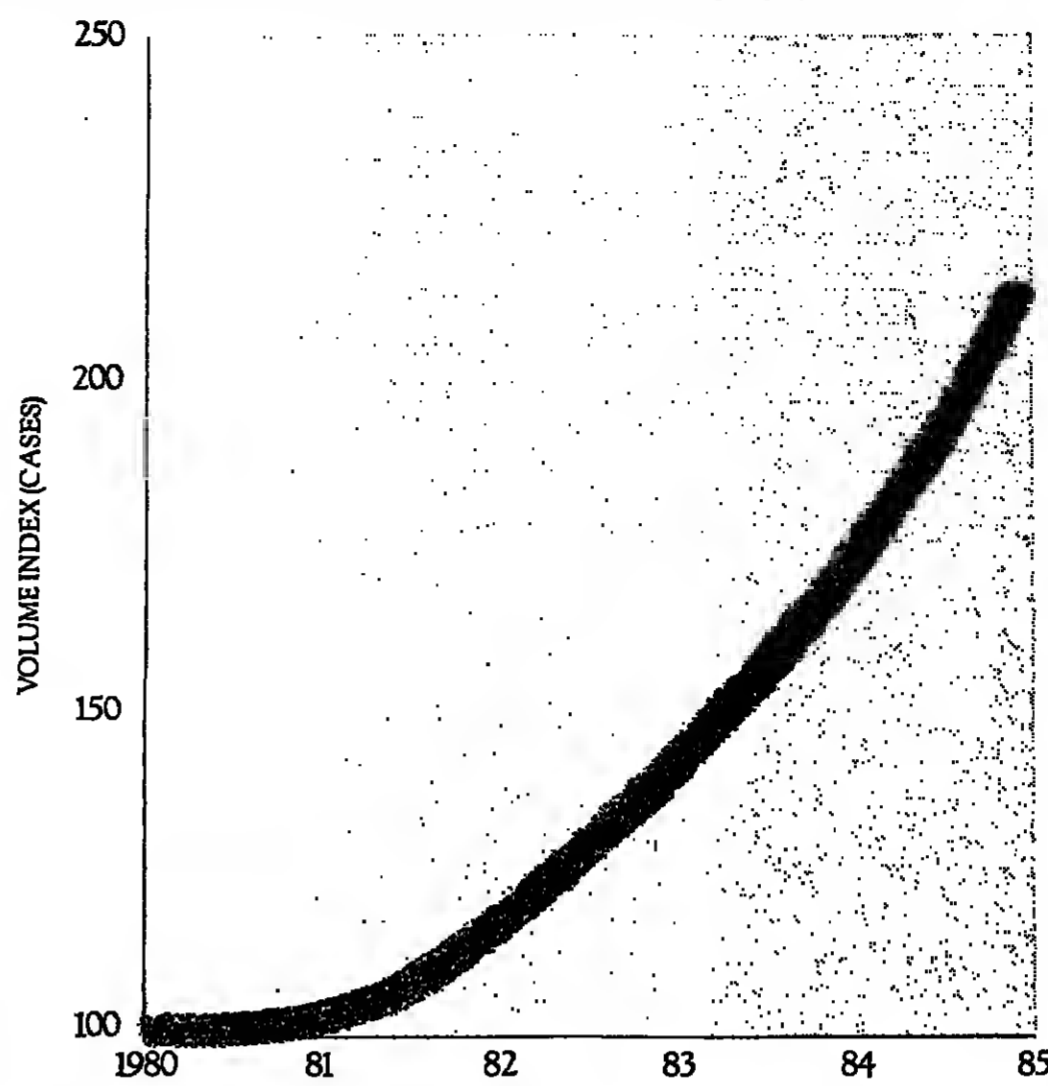
كندا من إيض

GUINNESS PLC BREWING WORLDWIDE TURNOVER



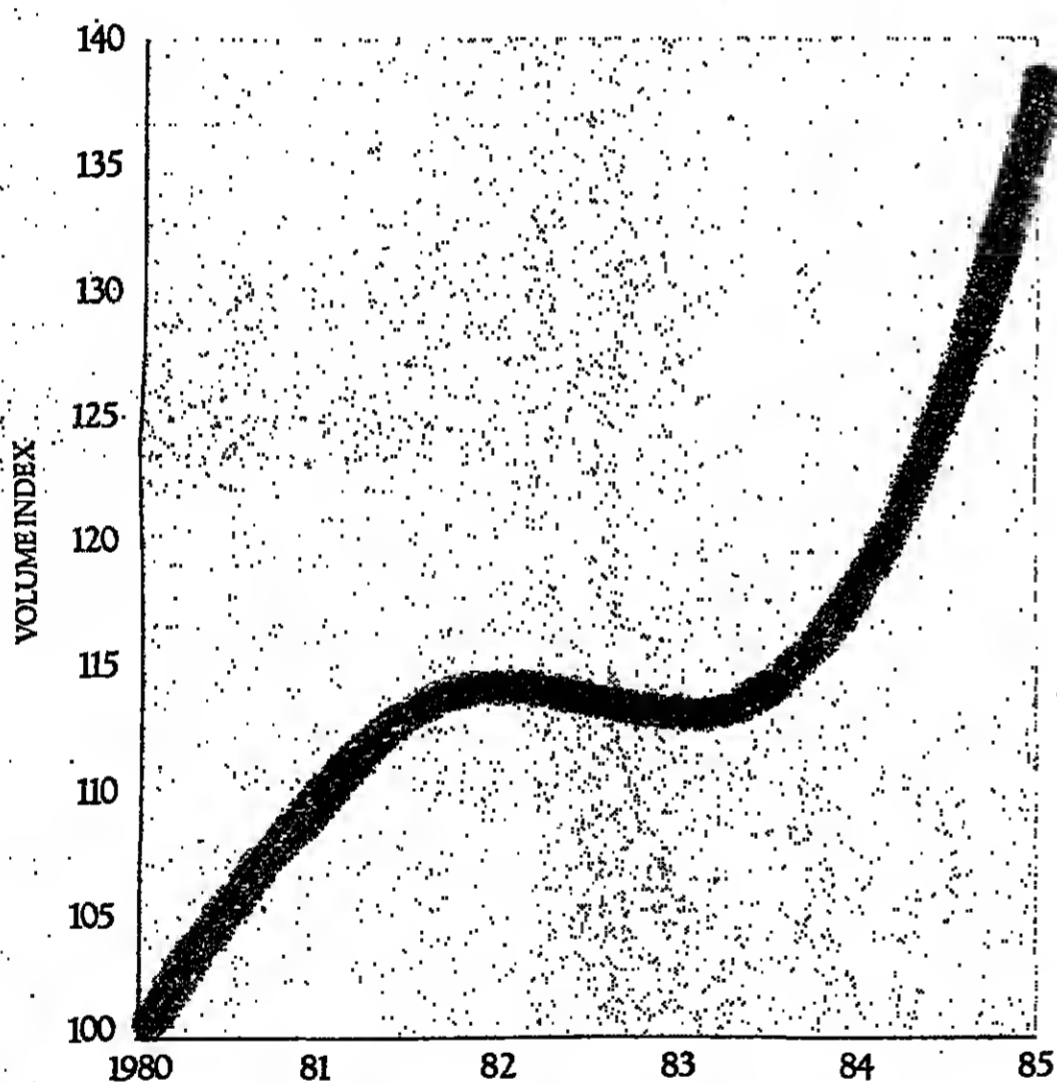
UP 32%

GUINNESS PLC USA SALES



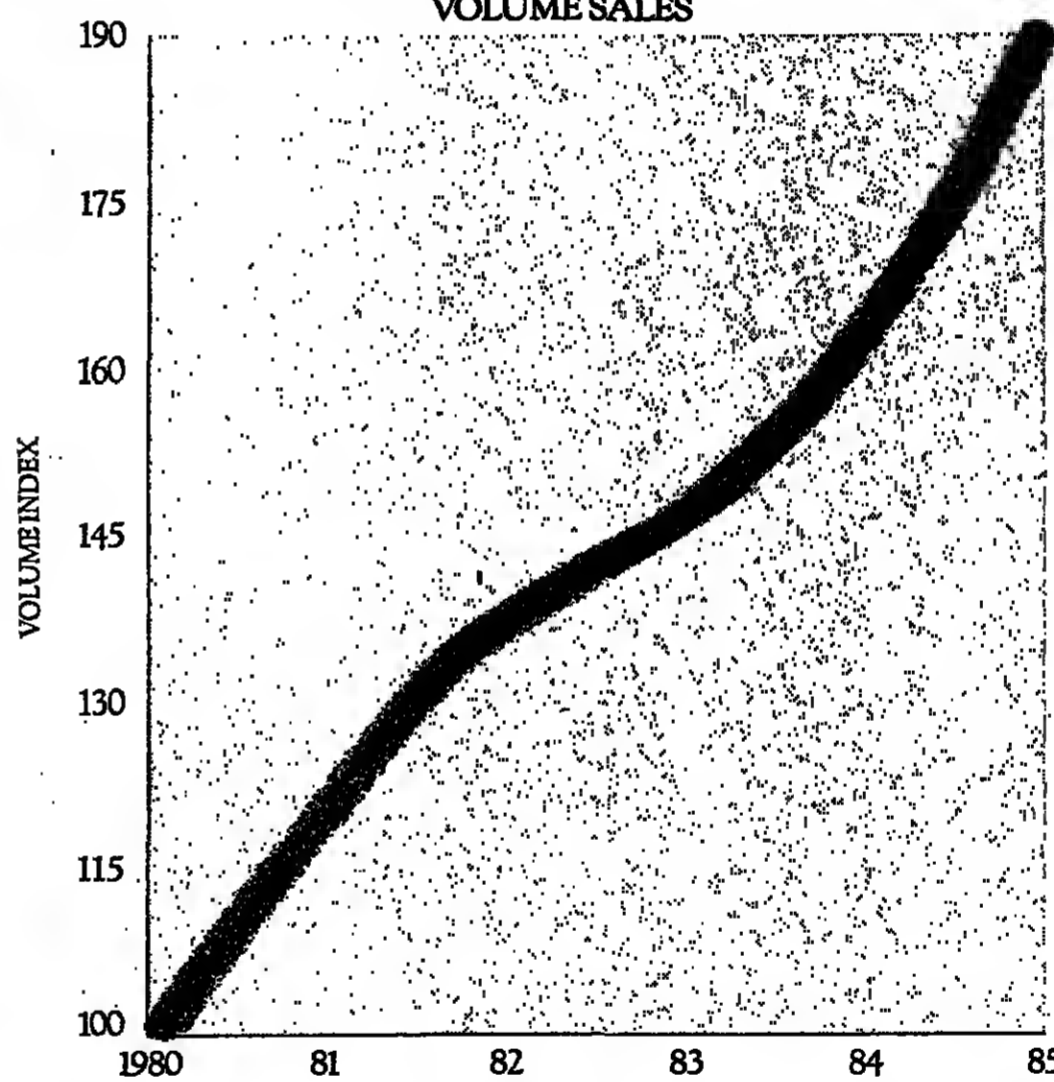
UP 113%

GUINNESS PLC EUROPEAN VOLUME SALES



UP 38%

GUINNESS PLC FEDERAL REPUBLIC OF GERMANY VOLUME SALES



UP 89%

MY GOODNESS!

In the last four years Guinness has been transformed both in the UK and internationally.

We sell nearly 40 per cent of all the beer exported from the UK to overseas markets.

We have successfully launched new products both at home and abroad.

Alongside our core drinks business we have expanded in retailing and health care, both growth sectors linked by strong brand names with good consumer franchises.

All this has resulted in our Company growing in value from £90 million to over £900 million in the past four years.

During that period our shareholders have reaped the benefit.

Our earnings per share have increased by 169 per cent and our share price has shown an almost six-fold increase.

Proof indeed that Guinness should be good for Distillers.

GUINNESS PLC

Guinness and Distillers. More than just a merger.

This advertisement is published by Morgan Grenfell & Co Limited and The British Linen Bank Limited on behalf of Guinness PLC. The Directors of Guinness PLC are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The Directors of Guinness PLC accept responsibility accordingly. SOURCE: Guinness Accounts, Guinness Import Corp, Guinness Market Variance Statements, Guinness Actual Market Variance Statements, H. M. Customs and Excise.

UK NEWS

Fund for rebel councillors proposed

By John Hunt

PROPOSALS for a special hardship fund to help councillors in Liverpool and Lambeth who face a huge bill for rate (local property tax) surcharges are being suggested by Dr John Cunningham, Labour's environment spokesman.

The scheme, which has the backing of Mr Neil Kinnock, the Labour Party Leader, will be put forward today at a meeting of the Local Government Advisory Committee of Labour's National Executive Committee.

The intention is to help those councillors who face special hardship and might have to dispose of property and other possessions to meet the surcharge bill which totals £212,000.

As Mr Kinnock and Dr Cunningham have condemned the left-wing tactics in Lambeth and Liverpool the setting up of a voluntary fund will leave them open to strong criticism from the Conservatives.

Nevertheless, the possibility of controversial left-wing figures such as Mr Derek Hatton, deputy leader of Liverpool council, and Mr Ted Knight, leader of Lambeth council, receiving money is not ruled out.

Dr Cunningham said last night that it would not be a question of bailing the councillors out from the consequences of their own actions.

"We want to see whether we can help in cases of real financial hardship," he said. "These people have had a very difficult time."

Education vouchers to be reconsidered, Tebbit indicates

By John Hunt

MR NORMAN TEBBIT, the Conservative Party Chairman, indicated yesterday that the Government was prepared to look again at the possibility of introducing a system of educational vouchers to enable parents to choose which schools their children attend.

"I think there may well be room for an education voucher scheme if we can find the right one," he said in an interview on TV-am. His remarks came as Mr Giles Radice, Labour's Education spokesman, wrote to the Prime Minister denouncing such schemes as "educational red herrings" and challenging her to deny that she wants to introduce vouchers.

Sir Keith Joseph, the Education Secretary, who has been the chief advocate of the voucher system, reluctantly shelved it some years ago after strong opposition from officials within his own department.

But Mr Tebbit said yesterday that things had moved on since then. He emphasised that a scheme had to improve education for all schoolchildren, not just those whose parents stood to gain most out of it. That aspect had to be thought about very carefully.

When the idea had been discussed originally it had run up against practical difficulties but had not been rejected on philosophical grounds.

In the wake of the teachers' strike there should be a full-scale debate on education, and that meant that anything could be on the agenda although "it doesn't



Mr Norman Tebbit

mean to say that we take it up." "I don't think one can ever rule it out - it's impossible. Let's see whether it's possible to find a way of using education vouchers in a constructive fashion," he said.

If the Government could find a way in which they would be a positive influence in improving the standard of education for all children then he would be in favour of them.

Mr Radice says in his letter it is disturbing that Mrs Thatcher is lending her support to the campaign for the introduction of vouchers and more fee-charging schools and places.

He calls on her to replace Sir Keith, who is standing down as an MP at the end of this Parliament, and to announce publicly that she does not intend to pursue "irrelevant policies" such as vouchers. She should, he says, also proclaim the Conservative Party's commitment to the state education system.

Ladbroke expected to bid for retailer

By Jeremy Stone

THE LADBROKE Group is today expected to launch an agreed offer for Home Charm, the second largest do-it-yourself retailer (DIY) in the UK. The bid is believed to value Home Charm at around £200m, including the company's convertible loan stock.

A week ago, Home Charm was forced to announce the withdrawal of a "mystery bidder", after the failure of weekend merger discussions.

After that announcement, its shares fell from 390p to 285p, at which the company would have been capitalised at about £180m. Payless, a smaller DIY chain, was bought last Friday by Ward White for £94m.

Ladbroke is known to have been looking over the past year or so for a fourth major business, to balance its interests in racing, hotels and property. In January this year it held merger talks with Granada, currently the subject of a hostile takeover offer from Rank.

Home Charm, which operates over 100 Texas Homecare stores has been one of the leaders in the race to establish large DIY stores in out-of-town sites. It has been expanding very rapidly, opening nearly 1m square feet of new selling space in 1985.

Home Charm's profits for the year are thought to have been held back by the cost of opening new stores to about the level of £10.8m pre-tax that it made in 1984.

Vickers to press ahead with its share offer

By David Churchill

THE MANAGEMENT consortium buying the Vickers warship yards - which will build Britain's Trident nuclear submarines - plans to press ahead tomorrow with its share offer to institutions and employees in spite of the possibility that Trafalgar House, which failed in its bid to buy the yards, might seek to challenge the way in which the Government has handled the matter.

Mr Paul Channon, Trade and Industry Secretary, decided on Friday to accept the £100m management buy-out bid for the Vickers yards even though the offer from Trafal-

gar House was substantially higher.

Trafalgar's directors are meeting today to consider what action to take next. One option is to seek a formal judicial review of Mr Channon's decision, a process by which the official decision-making procedures can be challenged in the courts.

A number of major companies have recently sought to challenge official decisions in the courts on the basis that they were improperly reached.

However, a judicial review can

only squash an official decision and cannot reverse it in favour of another party.

Trafalgar last night refused to comment on the possibility of a judicial review being sought. "We have nothing to add to our statement on Friday that we are considering the position," he said.

A spokesman for the management buy-out consortium said that it had no knowledge of any judicial review being sought by Trafalgar House. He re-affirmed that the consortium was going ahead with its prospectus offering shares to insti-

tutions, employees, and residents in the area around the Vickers yards at Barrow-in-Furness in Wales and the Cammell Laird yard at Birkenhead on Merseyside.

The Government's decision to accept the management buy-out for the yards rather than the higher Trafalgar offer came as a surprise when it was announced on Friday. Labour MPs, who had been opposed to the sale of public assets, suggested that the Government had lost its political nerve in deciding to support the lower bid from the management consortium.

SHEPPARDS AND CHASE INTERNATIONAL LTD

Sheppards and Chase are pleased to announce the formation of their international dealer Sheppards and Chase International Ltd in London.

AMERICANS & CANADIANS

Net prices will be available before and during New York market opening hours.

CONTACT

David Cooper or Colin Bond
Telephone 01-726 8011 (London)
Telex 265623/5

EUROPEAN EQUITIES & SOUTH AFRICAN GOLD MINES

Net prices available on request

CONTACT

Jim Clark or Doug Shine
Telephone 01-606 2911 (London)
Telex 265606/7

Find us on Reuter Monitor, page SHEP onwards.

Sheppards and Chase International Ltd is a wholly owned subsidiary of Sheppards and Chase

Krupp engineering for excellence

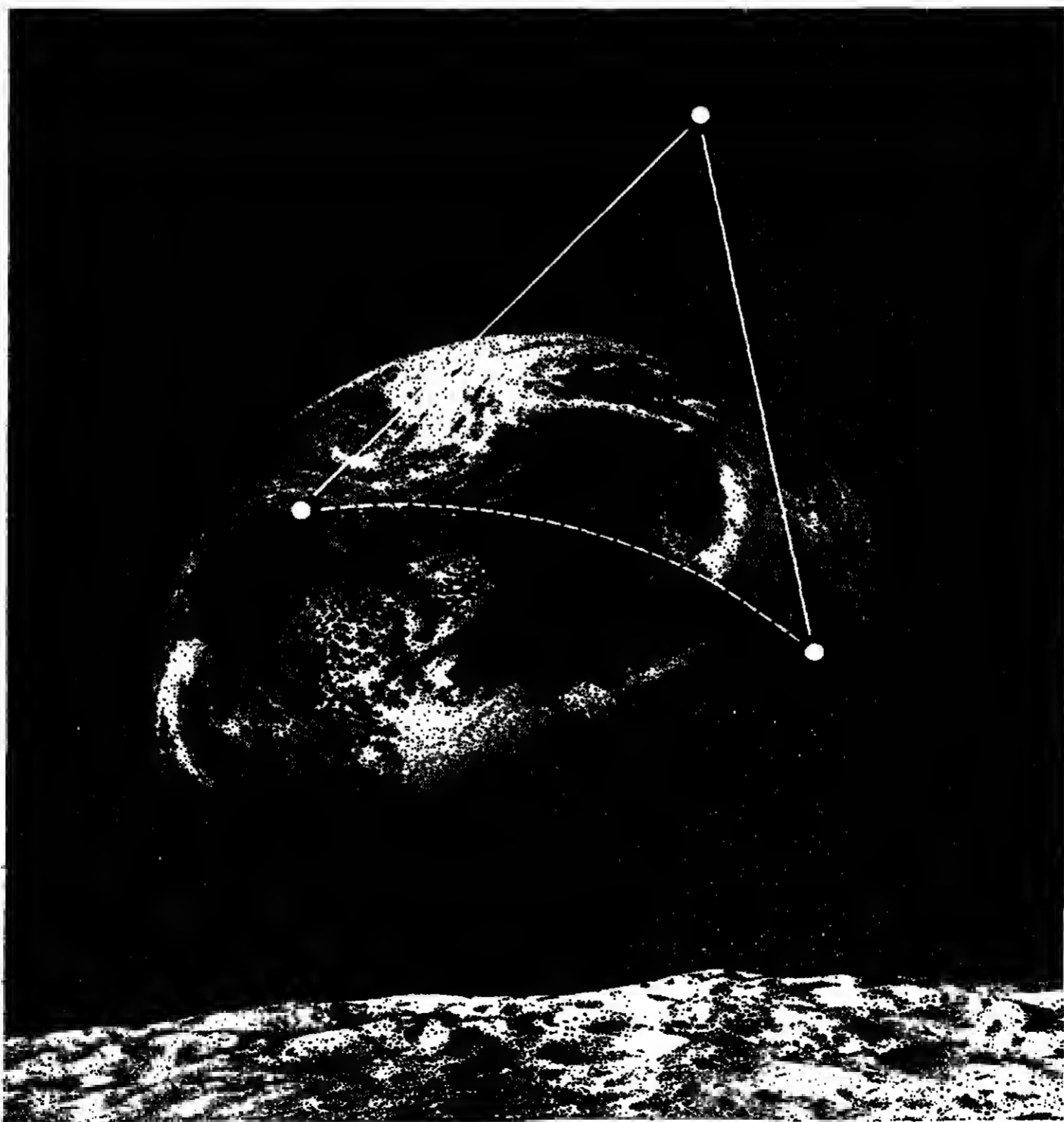
Geodetic surveying using Krupp-built antennas.

Getting the drift.

The Earth's continents are constantly on the move. Radio telescopes are monitoring their drift. Thanks to the extraordinary precision with which Krupp builds such special antennas measurement variations are kept to a minimal 7 mm over 1,000 km².

Trained on fixed stars to an accuracy of one thousandth of a degree they provide vital information on continental drift and seismic activity in earthquake zones.

Sited 400 km north of the Arctic Circle at Tromsø in Norway is EISCAT, a



special antenna used for investigating polar light and the sun's influence on the seasons.

Some 4,000 km further south, an a mountain top in Spain's Sierra Nevada, a 30-m antenna picks up signals from the Milky Way.

At Usingen near Frankfurt, the West German PTT, Deutsche Bundespost, operates an earth station featuring two 140-tonne parabolic antennas for worldwide TV transmissions. Krupp played a significant role in these antenna projects.

Krupp antenna engineering lends a hand in many other areas too. For example, in the search for and exploration of mineral deposits, in pollution control and in command stations for spacecraft.

Creative dialogue is our springboard. Krupp engineers work in close partnership with customers seeking solutions to the problems that touch us all.

We provide the advanced engineering materials, facilities and systems needed for speedy and sustained economic progress.

Krupp. A tradition of progress.

* For more information on Krupp antennas contact Krupp Industrietechnik GmbH, Franz-Schubert-Str. 1-3, D-4100 Duisburg 14.



Handwritten Arabic text: كذا من الأصل



LET BLUEGREEN* FROM BULL COMPUTERS HELP YOU SET UP A DIALOGUE.

It's all very well for a business to install data processing, office automation and communication systems.
But often, these systems tend to be incompatible with the way the company works. And even, incompatible with each other.

But BULL is now offering you a way to ensure that all these different systems will work in harmony.

We call it BlueGreen and it's now being presented at the Hannover Fair 86.

BULL is one of the leading European manufacturers of distributed information processing and office automation systems. BULL provides a genuine alternative in all the different areas of information processing.

And BlueGreen is the name we give to our way of integrating data processing, office automation and communication systems within a structure of communication networks complying with international standards.

BlueGreen can make the information in your company's data bases freely accessible to mini- and micro-computers, workstations and terminals.

So your company can make the best use of its information wealth, because dialogue between the individual, the department and the company is much easier.

In fact, in a company which has BlueGreen, everyone speaks the same language.

BULL. The tree of communication.

* BlueGreen is a trademark of Group BULL.



UK NEWS

Demand for Today exceeds capacity

EDDIE SHAH, publisher of today, the new colour tabloid newspaper is facing problems in increasing printing capacity to meet initial public demand for the newspaper, writes Raymond Snoddy.

Today is having difficulties in setting up a fourth printing centre planned for Rotherham in the north of England, to add to Foyle, near Heathrow Airport, Birmingham and Manchester.

"We've got a problem. We still cannot find a proper building in Rotherham. We have got to act fast to take advantage of the demand," Mr Shah says, in today's UK Press Gazette.

Sample research on the first three days of Today suggested that 30 per cent of the adult population were looking for copies of the paper, Mr Shah says.

BRITISH TELECOM and D.C. Thomson, the publishers, have each taken a large stake in the Children's Channel, the cable television channel delivered by satellite. A new company, Starstream, has been formed to run the channel in which BT, D.C. Thomson and Thorn EMI each have a one third share.

THE PROVINCIAL newspaper industry is returning to health in the battle against free publications and declining circulations, according to Mr Robbie Thomas, president of the Newspaper Society.

BRITISH CALEDONIAN has won a £3.5m contract from the Post Office to carry first class mail between southern England and Scotland, for two years beginning from April 1. The arrangement is a follow-on contract from a continuous 12-year contract in which BCal has provided the Post Office's main air link between England and Scotland.

SEASIDE RESORTS in Britain still expect as much business this year as in 1985, when many holidaymakers opted for domestic holidays because of sharp price rises by Spanish hotels.

PUBLIC HOUSING standards have reached an all-time low under government pressure for cuts and privatisation, according to a survey of London Boroughs published by the Greater London Council's industry and employment branch.

COMPANIES which successfully introduce new technology have long-term training programmes for their workers and pay structures designed to reward those taking on extra responsibilities and new skills, says a report by a National Economic Development Office.

Dominic Lawson assesses the new gas export rules Concession may be too late

ALMOST 20 years after gas began to flow from the UK sector of the North Sea, the Government has finally decided that it can countenance the export of North Sea Gas.

Since the dispensation extends only to hitherto undeveloped fields, and since it is almost certain that the big North Sea gasfields have already been developed, it may appear to be a case of too little, too late.

But after Mr Peter Walker, the Energy Secretary, announced on Thursday the Government's willingness to allow the export of gas, there was no dobbing the sighs of pleasure emanating from the boardrooms of the leading North Sea exporters.

For years these companies, such as Shell, Esso, and British Petroleum, have lobbied for the move. They argued that British Gas's position as a virtual monopoly buyer of UK gas had led to such low prices being offered in the 1970s that UK gas exploration dried up altogether, and that this could happen again.

They looked enviously at other sections of the North Sea, from which their affiliates charged significantly higher gas prices to the competing continental utilities. Sir Denis Rooke, the chairman of British Gas, argues that if Britain has been lucky enough to discover a natural resource, then the British people deserve to have the benefit of that good fortune in the form of cheap gas.

This argument has in the past appeared attractive to some elected politicians who did not like to be accused of putting up the heating bills of pensioners to line the pockets of the oil multinationals. But the planned privatisation of British Gas has altered the old political equations.

The Treasury sees privatisation as a key means to strengthen competitive forces and has pushed consistently for the opening up of free trade in gas. The Department of Energy has always been the most dirigiste of government departments, enjoying the control over North Sea developments the gas export ban provided.

But the Energy Department had to recognise that control over North Sea depletion was not a proper role for a private sector company. There is no reason to line the pockets of the future shareholders of British Gas pie any more than those of BP, Shell or Esso.

Continental sale contracts currently value gas only marginally higher than similar contracts signed recently between North Sea producers and British Gas. With continental contracts linked more closely to the price of oil, it is likely that soon the British Gas price will be in line with European prices.

Even if there were a big price incentive for North Sea producers to rush into talks with Distrigaz of Belgium or Gasunie of the Netherlands or Ruhrgas of West Germany,

these utilities might not be too interested.

The are already overstocked with gas through the 1980s and are about to sign a contract with Statoil of Norway to take enough gas from the huge Troll field to see them through to the next century.

The Government has said that it will consider export proposals on a case-by-case basis, bearing in mind the security of the UK's gas supplies. This has always been the official position in theory, but now the Government is signalling that the answer to such a request will be yes, rather than no. But the case-by-case caveat appears to be little more than a sop to British Gas's injured feelings.

Most of the future North Sea gas developments will be far too small, considered individually, to influence the security of the UK's gas supplies. And it is most unclear whether, under the Treaty of Rome, the Government will be able to give permission for one company to export gas and refuse a request from another company.

British Gas's main concern will be whether it will have a similar freedom to import. Only last year the Government vetoed a British Gas plan to buy \$30bn of gas from Norway's Sleipner field. British Gas's view that it may not have enough gas to meet UK demand in the mid 1980s can only be sharpened by the lifting of the export embargo.

A neutral budget expected by City

By Philip Stephens, Economics Correspondent

THE CITY of London is expecting a neutral budget on March 18, with any cuts in income tax offset by increases in indirect taxes, particularly on petrol.

Mr Nigel Lawson, Chancellor of the Exchequer, began drafting his budget speech at the weekend amid signs that the Treasury is anticipating some recovery in oil prices - and hence North Sea revenues - later this year.

That coincided with an upbeat view of the outlook for the economy from the Institute of Directors. Its latest business opinion survey showed that 74 per cent of senior executives had reported an increase in turnover over the last three months, the highest proportion recorded since the survey began in 1983.

However, the Institute is critical of the Government's economic performance and some 51 per cent of respondents argued that Mr Lawson should press ahead with plans for tax cuts in spite of the recent oil price collapse.

The view among City economists, however, is that even with an average oil price of about \$18 per barrel (against the current spot price of \$15 and forward prices of closer to \$19), the scope for net tax cuts is minimal.

A series of reports published today suggest that at best the Mr Lawson could find room for net tax cuts of around £750m and at worse could face additional borrowing of £2bn even if lower income taxes are matched by higher excise duties.

The Treasury's own budget arithmetic will depend crucially on its expectation of both trends in the dollar oil price and on movements in the sterling/dollar exchange rate.

Among measures thought possible in the budget are the introduction of new tax incentives to boost individual investment in the stock market.

Delay urged over gas privatisation

BY DAVID THOMAS, LABOUR STAFF

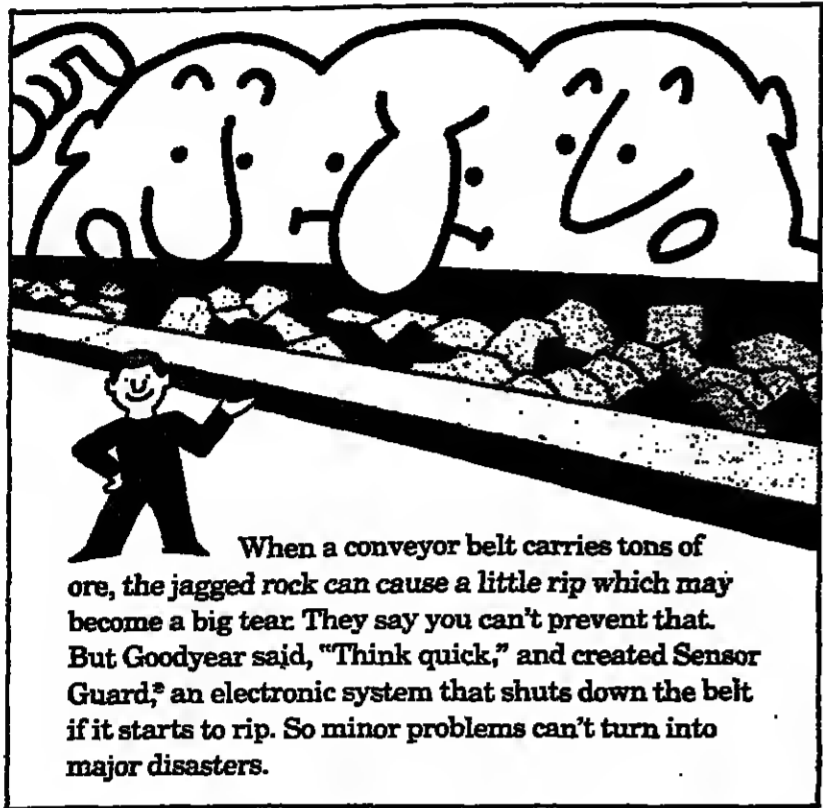
TOP MANAGEMENT in the electricity supply industry should tell the Government to postpone the privatisation of British Gas until after the next election, according to a leading trade unionist in the electricity industry.

Mr John Lyons, general secretary of the Engineers' and Managers' Association, writing in his union's journal says immediate gas privatisation will pose problems for electricity after the election regardless of whether the Conservatives win.

Mr Lyons, whose union represents 33,000 engineers, scientists and managers in electricity supply, says that the Conservatives, if returned in the election, would consider privatising electricity, but would be faced with demands for much heavier regulatory arrangements than in the case of British Gas and British Telecom.

If the Conservatives are not returned, then the privatisation of electricity would be very unlikely.

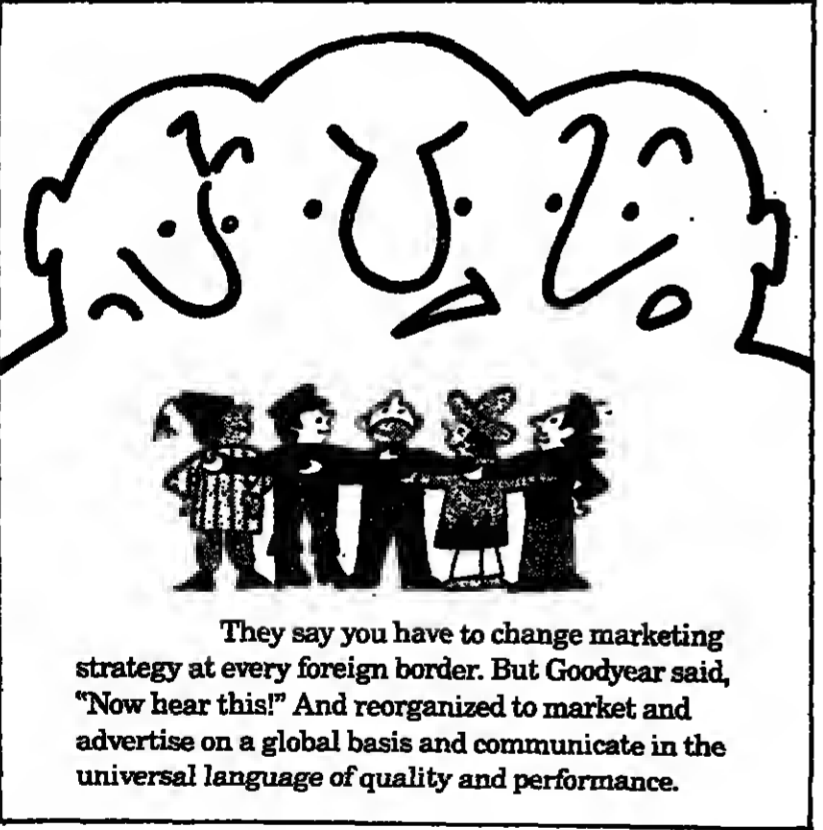
So whatever happens, Mr Lyons concludes, "very considerable and entirely artificial strains between the two industries will therefore be set up, unless the rules governing the electricity supply industry's performance in the public sector are greatly modified."



When a conveyor belt carries tons of ore, the jagged rock can cause a little rip which may become a big tear. They say you can't prevent that. But Goodyear said, "Think quick," and created Sensor Guard, an electronic system that shuts down the belt if it starts to rip. So minor problems can't turn into major disasters.



They say you can still train pilots in a flight trainer that teaches only instrument flying. But Goodyear said, "Obsolete," and helped create a new flight simulator that gives pilots the sights as well as the feel and sound of flying. And with computerized projectors that react to a pilot's every move, the sky is the limit.



They say you have to change marketing strategy at every foreign border. But Goodyear said, "Now hear this!" And reorganized to market and advertise on a global basis and communicate in the universal language of quality and performance.



Sometimes, it just doesn't pay to listen to what "they" say.
GOODYEAR
Investor contact: Hunan & Associates AG
Zurich, Switzerland. Telephone: 01 201 4050
© 1986 The Goodyear Tire & Rubber Company

COMPLETE LOW COST SYSTEM
I.D. Cards
Includes multi-image camera, picture punch and card laminator.
Secure system. No skills needed. Fast throughput. Colour or B/W. Call Janet Wells on (0494) 794451 for literature.
Shackleton Instruments Limited
PO Box 23, Watlington, Oxon, Bucks.

Dainippon Screen Mfg. Co., Ltd.
Kyoto, Japan
4% DM Convertible Bearer Bonds of 1979/1987
— Security Index Number 454 482 —
Adjustment of Conversion Price
The Board of Directors adopted the following resolution on February 28, 1986:
Free share distribution at a ratio of 20:3 to shareholders registered on March 31, 1986 (record date).
As a result of this capital increase the previous conversion price of Yen 593.50 for the convertible bonds will be adjusted in accordance with the Terms of Issue. The conversion price effective from April 1, 1986 will be Yen 516.40 per share of Common Stock with a par value of Yen 50.—
On behalf of Dainippon Screen Mfg. Co., Ltd.
BAYERISCHE VEREINSBANK
Aktiengesellschaft
Munich, in March 1986

The temperature in Cornwall today is 82° F
Montego Bay is in Cornwall, Jamaica. And right now it's warmer than Cornwall, England.
For the Jamaica Information Pack, write to: Jamaica Tourist Board, 50 St. James's Street, London SW1A 1JT. (Or 499 1707).

JAMAICA

Bayerische Vereinsbank
change of address of London Branch
effective 10th March, 1986
Bayerische Vereinsbank AG, London Branch
1, Royal Exchange Buildings, London EC3V 3LD
Telephone (01) 626 1301 (general), (01) 283 4851 (dealing)
Telex 889 196 bvl g (general), 881 3172 bvfx g (dealing)
SWIFT: BVBE GB 2L
Bayerische Vereinsbank AG, Head Office Munich, International Division
Kardinal-Faulhaber-Strasse 1, D-8000 München 2
BAYERISCHE VEREINSBANK
AKTIENGESELLSCHAFT

BIRMINGHAM
WHERE TECHNOLOGY AND
MANUFACTURING MEET
Innovation stems from the right people working in the right environment. In Birmingham, new technologies are providing the foundation for new growth in the City's engineering and other manufacturing industries.
New products and processes are quickly turned into profits by the practical application of scientific and technical research. With the support of two leading Universities and a Polytechnic, the partnership with industry means that hi-tech is no longer just a buzz word. The financial backing available for expanding businesses and new ventures moving to Birmingham is another example of the City's realistic approach. Suitable premises are no problem either. Where better to see your ideas and business grow? So for free and confidential information:
Telephone: 021-235 2222
Birmingham
THE BUSINESS CITY
City of Birmingham Economic Development Unit, Congreve House, 3 Congreve Passage, Birmingham B3 3DA

UK NEWS

Labour outlines proposals to recoup tax from well-off

BY PETER RIDDELL, POLITICAL EDITOR

A LABOUR Government would introduce new forms of taxation on the well-paid to recoup amounts received in concessions by the best-off 5 per cent since the Conservatives took office in 1979, according to proposals put forward by Mr Roy Hattersley, Labour's economic spokesman.

He believes that it would be unnecessary and mistaken simply to reverse the tax changes of the past seven years. Instead, new methods of raising a similar amount of money from the better-off should be considered.

Among the suggestions are that all tax allowances and concessions, such as mortgage interest relief, should be restricted to the standard or basic rate of income tax of 30 per cent, rather than, as now, the marginal rate of up to 60 per cent.

The current upper limit on employees' national insurance contributions might also be removed. In addition, national insurance

contributions could be extended to currently exempt categories like investment income, while benefits in kind might also be taken into account.

The main impact would be felt by those earning over £30,000 a year from all forms of income.

Mr Hattersley's advisers, including a partner of Price Waterhouse, the accountancy firm, estimate that the highest paid 5 per cent of the population have received more than £3.6bn in tax concessions since 1979.

This has been through cuts in the highest rate of income tax, through the removal of the investment income surcharge and through reduction in capital gains and transfer taxes.

This is apart from other tax changes such as those in share options and stamp duty.

In a paper for last week's Labour "cabinet", meeting Mr Hattersley says a Labour anti-poverty pro-

gramme could be financed from money recouped from this group "who have been the only beneficiaries of tax cuts since 1979."

But he warns against giving "the misleading impression that we intend to finance our anti-poverty programme simply by levying higher income tax on this group."

In a note to this paper he says, in raising £3bn to fight poverty "we would not even be taking back all of the tax concessions given."

"Moreover we would not raise the cash simply by reversing the Tory tax concessions. For example, there would be no return to very high rates of marginal taxation which few people paid anyway. Similarly, we would not reverse concessions on stamp duty."

The Government is likely to argue that, in practice, the result of limiting tax concessions would be a sharp increase in effective marginal rates of tax for senior management.

Directors' pay rises 10% in 6 months

By James McDonald

THE TYPICAL board director of a company, if he had a salary increase in the six months to February this year, received a rise of 10 per cent, according to the March edition of the Charterhouse study on top management remuneration, published today.

The study is based on the annual reports of over 1,000 industrial and commercial companies, and salary and benefits surveys covering 3,000 board and senior management posts in over 400 companies.

It is aimed at assisting companies to plan their remuneration arrangements for board members and for senior management.

In comparison with the six months to August last year, the survey found the rate of increase in directors' salaries had moderated, with the average increase falling from 10.5 per cent to 10 per cent.

The study says that incentives are standard practice for the majority of board directors.

47 Electrical and Electronic companies, 2 Freight Forwarding agencies, 6 Printers and Publishers, 3 Haulage companies, 10 Computer companies, 22 Business and Secretarial services, 4 Packers, 2 Robotic Engineering companies, 25 Mechanical Engineering works, 15 Precision Engineering groups...and a man who makes printed circuit boards.*



Glenrothes has over thirty years experience of establishing an infrastructure that makes sense for business development.

Over thirty years of providing a sound industrial base for the widest range of companies has resulted in a continual pattern of successful growth for the community—the businesses mentioned

above are but a small proportion of those enjoying all the benefits of a continual association with Glenrothes Development Corporation.

*With support from Glenrothes Development Corporation Michael Conway has set up his own company C. B. Circuits, to produce printed circuit boards.



GLENROTHES
DEVELOPMENT CORPORATION

FOR FURTHER INFORMATION PLEASE CONTACT: JOHN MCCORMIE, COMMERCIAL DIRECTOR, GLENROTHES DEVELOPMENT CORPORATION, BALBRINIE HOUSE, GLENROTHES, FIFE, SCOTLAND KY7 6NR. TELEPHONE: 0592-754343. TELEFAX: 727125.

INSURANCE
The quiet revolution at Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT

FOR nearly four years a quiet revolution has been taking place in the Lloyd's insurance market. In this period virtually the entire structure of the £3bn market-place has been changed.

The changes in structure have been caused by Lloyd's legislation of 1982 which requires that insurance brokers at Lloyd's should sever their shareholding links with managing agency companies of underwriting syndicates by the middle of 1987.

Lloyd's had been forced to include the provision in its legislation by Parliament because conflicts of interest, actual and potential, had been identified in the relationship between the function of brokers, buying insurance on behalf of clients, and the managing agency companies of Lloyd's insurance syndicates, which sell insurance.

In total 114 agency companies, managing the affairs of 308 insurance syndicates in which a large part of the 28,507 underwriting members is grouped, are affected. The Lloyd's market is composed of around 400 syndicates.

To date around 80 of the affected agencies have divested themselves of their links with insurance bro-

kers at Lloyd's, representing a major part of Lloyd's underwriting capacity of over £7bn.

In his report on the self-regulation of Lloyd's published in 1980, Sir Henry Fisher, a former High Court judge, observed that the eight largest broker-controlled underwriting agencies at Lloyd's were controlled by the eight largest brokers, which account for nearly 60 per cent of the premium income at Lloyd's.

Now, following the restructuring of the market, a new phenomenon has developed: the rise of the mega-underwriting agency.

What has happened in the divestment programme is that little outside capital has come into the market to buy the agencies. Those outsiders who have shown interest have been deterred by the complex organisational structure that Lloyd's created for the future management of the agencies, which has been designed to ensure that operational control of the agencies resides with those who work in the market.

In the change of ownership of the agencies, control has passed either to existing employees and management of the agencies in "management buyout" programmes, or to ex-

isting independent underwriting agencies at Lloyd's who have become larger. Independent groups, such as Sturge Holdings and Merrett Holdings, have become powerful forces in the market because they have consolidated their positions through acquisitions of divested agencies. Together with the divested agencies of Willis Faber, the insurance broker, they are reckoned to command collectively around £1.5bn of Lloyd's total underwriting capacity of over £7bn.

The brokers have argued that the new structure which could emerge will eliminate competition and convert the Lloyd's structure into a corporate entity along the lines of a conventional insurance company. Lloyd's market identity could be eroded. There would be little room in the new market for small underwriting agencies.

The issue is more complex than that. Some of the independent underwriting agencies are now of such a size that they are seeking quotations on the Stock Exchange for their shares. Sturge Holdings is the first agency to gain a full listing.

There are fears within the Lloyd's market that conflicts of interest could operate against the in-

terests of the underwriting members in the new structure.

If agencies, through their Stock Exchange listings, have shareholders to satisfy there will be pressure to impose heavy profit commissions on individual underwriting members—the way in which agencies generate their revenue—and underwrite large volumes of insurance business, which may not be in the interests of underwriting members. The interests of the shareholder and the underwriting member would not be identical, which could create strain in the relationship in the future.

It has been argued that one way around the problem might be for individual agencies to adopt a deficit clause in their underwriting agreements with the members to ensure that the agencies have a direct involvement in any losses which the underwriting members might sustain because of reckless underwriting. At present agencies are rewarded only by a profit commission.

There is no penalty to the agent if the members make underwriting losses other than the elimination of the profit commission on underwriting results.

From London we can take you to 148 other places.

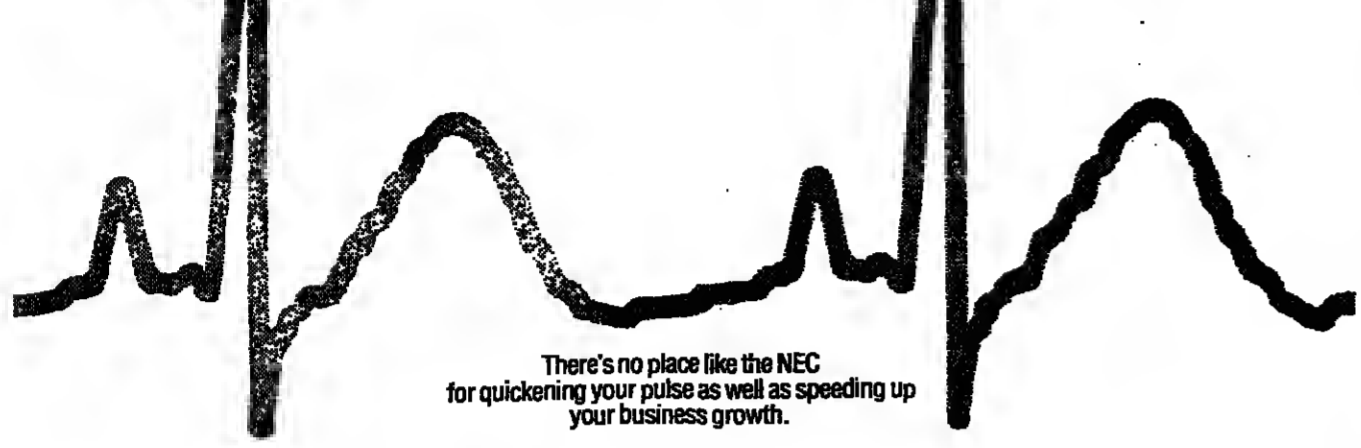


British Airways flies more people to more places than any other airline. In fact, we fly to 148 destinations in 71 countries around the world. And in all these places you'll find that the American Express Card is warmly welcomed. So wherever your business takes you, you can be sure that, between us, British Airways and American Express will be with you all the way. Don't leave home without us.



BRITISH AIRWAYS
The world's favourite airline.

Head for the big heart of England and it won't just be your business that moves at a faster rate.



There's no place like the NEC for quickening your pulse as well as speeding up your business growth.

THE NEC... 10 YEARS OF SETTING THE STANDARDS

A world class venue, which in the past 10 years has become established as one of the most prestigious names in international trade - that's Britain's National Exhibition Centre.

With nine separate exhibition halls, no fewer than 105,000 square metres of floor space and some of the most advanced and lavish exhibitor and visitor facilities available - strategically sited in the heart of Britain - it's small wonder that NEC is universally recognised by giants like Interbuild (Britain's largest single trade fair), the International Spring Fair (now occupying every square metre of space) and IPEX (a European leader in print and graphic design).

AT THE HEART OF THE REAL ENGLAND

Within easy reach of some of the most exhilarating scenery, historic locations and outstanding recreational

and leisure opportunities in the country, Birmingham puts you in touch with the real England.

Whether your taste runs to team sports, country walks or city nightlife, international-class restaurants or rural pubs, jazz or opera, ancient architecture or modern art, there's plenty to occupy your spare time in the business heart of Britain.

GATEWAY TO THE WORLD

Birmingham International Airport is Britain's newest and most modern air terminal - opening up a whole new dimension of fast, effortless business travel to and from the United Kingdom, Europe and the rest of the world.

British Airways operate direct services from Amsterdam, Cork, Dublin, Dusseldorf, Frankfurt, Hanover and Paris. In April, services open from Munich and Malaga.

The NEC and Intercity British Rail are just minutes away by Maglev, the

revolutionary, passenger shuttle service. Other amenities like passenger handling, flight information and catering are among the best in the world - offering the most efficient air transport facilities available for the businessman, and private traveller alike.

A BUSINESS-LIKE WELCOME

No fewer than 140 meeting venues ranging from 16th century manor houses to luxurious modern hotels, such as the world-famous Birmingham Metropole, makes us first choice for hundreds of conferences and conventions each year.

Whether you're planning an overnight stop while visiting an exhibition, organising a ten-man sales training session or a 10,000 delegate convention, the Birmingham Convention and Visitor Bureau guarantee the right venue - at the right price for your event.

Just telephone us on 021-780 4321 or telex 336647.

NATIONAL EXHIBITION CENTRE THE BUSINESS HEART OF BRITAIN



Oil revenue investment 'ensures Britain a £4bn annual income'

BY ROBIN PAULEY

WHATEVER happens to oil prices, investments as a result of North Sea oil have been enough to give the UK a permanent annual income of about £4bn a year, says the London Business School in a report published today.

Francis Breedon and Giles Keating have constructed one of the most optimistic analyses yet of the oil crisis and Britain's future after North Sea oil runs out. In particular, they disagree with the House of Lords select committee's report which, under Lord Aldington's chairmanship, said the decline in oil revenues would make Britain's balance of payments substantially worse and that significant policy changes would therefore be needed.

The LBS argues that the decline has been anticipated since the oil was first discovered. The UK has used the income from oil to build up capital assets rapidly enough to generate a permanent income of around £4bn a year which will continue in perpetuity. Until 1981 this

mainly involved transactions in overseas assets, but since 1981 domestic investment has become increasingly important.

This argument suggests that the current account surplus - £3.5bn in 1985 - will fall much less rapidly than the fall in direct income from North Sea oil.

It conflicts not only with the Aldington Report's analysis but also with other economic analysts who have estimated that the decline in North Sea oil output, the shock to revenues caused by the oil price fall and the poor pick-up in British manufacturing output, could lead to a rapid decline on the current account. That, these analysts argue, could record a deficit as high as £20bn at 1985 prices within the next 10 years. But the LBS thinks the manufacturing decline is over.

The report takes a gloomier view of the effect of Britain's high interest rate policy and now expects both loans and deposits to decline

whether interest rates stay high or come down.

The rate of increase of personal sector bank credit accelerated to 22 per cent in 1985, if direct loans are added to bank loans to building societies and non-bank consumer loans. This boom in consumer loans was accompanied by sluggish corporate borrowing, companies relying more on buoyant internal funds and new issues.

But the savings ratio is also high, indicating that the personal sector is heavily engaged in both borrowing and saving.

Neither borrowers nor lenders expect the unusually high interest rates to last. The borrowers have reacted to increased outgoings by raising loan demand so they can maintain spending. The lenders have put the extra income on deposit rather than spent it.

LBS Financial Outlook vol 3 no 2, LBS, Sussex Place, Regent's Park, London NW 1.

New London coach terminal recommended

By Lisa Wood

A LARGE new coach terminal in central London has been recommended in a report commissioned by London Regional Transport. Three possible sites, at King's Cross, Paddington and White City are to be further studied.

The report, by Steer, Davies and Gleave, said a new central London coach station could provide facilities for the coach traveller similar to an airport terminal providing good links with the Underground and coach connections to all parts of Britain.

It would relieve the growing pressure on the coach station at Victoria which operates at capacity at peak times, and where there has been concern at the environmental effects of coaches on the surrounding residential areas.

Mr David Bayliss, London Regional Transport's director of planning, said: "Coach terminal facilities have not been expanded to cope with the substantial growth in coach travel since 1980.

Bureaucracy 'worsening for small businesses'

BY WILLIAM DAWKINS

BRITISH businesses are struggling against greater administrative burdens than at any time in recent history, according to a leading small-company lobby group.

The National Federation of Self-Employed and Small Businesses says in a paper published today that the Government's crusade against bureaucracy is having little effect. If anything, says the federation, which has 50,000 members, burdens on business are getting heavier.

The paper lists 39 ways in which the Government has made life tougher for small businessmen in recent years. "We would contend that the Government has in many

respects shifted the burden, not lifted it," says Dr Bernard Juby, the federation's chairman.

The main burdens highlighted in the paper include tougher penalties for late payment of value-added tax, extensions to sick pay legislation, large real increases in gas, water, electricity and telephone charges and more frequent tax investigations by the Inland Revenue.

The federation is critical of the Government's small-business assistance measures.


Shifting the Burden - The 39 Steps. Free from the National Federation of Self-Employed and Small Businesses, 149 Lower Marsh, London SE1 7AE.

BASE LENDING RATES


ABN Bank	12 1/2%	Hambros Bank	12 1/2%
Allied Dunbar & Co.	12 1/2%	Heritable & Gen. Trust	12 1/2%
Allied Irish Bank	12 1/2%	Hill Samuel	12 1/2%
American Express Bk.	12 1/2%	C. Hoare & Co.	12 1/2%
Anzco Bank	12 1/2%	Hongkong & Shanghai	12 1/2%
Bank of Australia	12 1/2%	Johnson Matthey Bkrs.	12 1/2%
Bank of Canada	12 1/2%	Knightsley & Co. Ltd.	13%
Bank of China	12 1/2%	Lloyds Bank	12 1/2%
Bank of Cyprus	12 1/2%	Edward Manson & Co.	13%
Bank of India	12 1/2%	Morgan & Sons Ltd.	12 1/2%
Bank of Japan	12 1/2%	Mifland Bank	12 1/2%
Bank of Korea	12 1/2%	Morgan Grenfell	12 1/2%
Bank of London	12 1/2%	Mount Credit Corp. Ltd.	12 1/2%
Bank of Montreal	12 1/2%	National Bk. of Kuwait	12 1/2%
Bank of New Zealand	12 1/2%	National Girobank	12 1/2%
Bank of Oman	12 1/2%	National Westminster	12 1/2%
Bank of Paris	12 1/2%	Northern Bank Ltd.	12 1/2%
Bank of Portugal	12 1/2%	Norwich Gen. Trust	12 1/2%
Bank of Romania	12 1/2%	People's Trust	13%
Bank of Saudi Arabia	12 1/2%	PK Financ. Intl. (UK)	13%
Bank of Singapore	12 1/2%	Provincial Trust Ltd.	13%
Bank of South Africa	12 1/2%	R. Raphael & Sons	12 1/2%
Bank of Swaziland	12 1/2%	Roxburgh Guarantee	13%
Bank of Thailand	12 1/2%	Royal Bank of Scotland	12 1/2%
Bank of Tonga	12 1/2%	Royal Trust Co. Canada	12 1/2%
Bank of Trinidad & Tobago	12 1/2%	Standard Chartered	12 1/2%
Bank of Victoria	12 1/2%	TCB	12 1/2%
Bank of Western Australia	12 1/2%	Trustee Savings Bank	12 1/2%
Bank of Yugoslavia	12 1/2%	United Bank of Kuwait	12 1/2%
Bank of Zambia	12 1/2%	United Mizrahi Bank	12 1/2%
Bank of Zimbabwe	12 1/2%	Westpac Banking Corp.	12 1/2%
Bank of the West Indies	12 1/2%	Whiteaway Laidlaw	13%
Bank of the West Indies	12 1/2%	Yorkshire Bank	12 1/2%
Bank of the West Indies	12 1/2%	Members of the Accepting Houses Committee	

FINANCIAL INCENTIVES WILL NEVER BE BETTER


If you are thinking of buying or actively buying IBM PC, COMPAQ, HP or Apricot micros. Then buy now at
MERCHANT SYSTEMS pic
 01-583 6774 ASK FOR SALES DESK




THIS FLOPPY DISK IS MADE BY THE FAMOUS AUDIO TAPE COMPANY.



THIS FLOPPY DISK IS MADE BY THE FAMOUS VIDEO TAPE COMPANY.



THIS FLOPPY DISK IS MADE BY THE FAMOUS STICKY TAPE COMPANY.



THIS FLOPPY DISK IS MADE BY THE FAMOUS FLOPPY DISK COMPANY.

EVERYONE SEEMS TO BE GETTING INTO THE FLOPPY DISK BUSINESS THESE DAYS. THE PROBLEM IS, YOU NEED A LOT OF EXPERIENCE TO GET IT RIGHT.

A DJD NOTE CAUSED BY A FAULTY AUDIO TAPE OR A BIT OF PICTURE DROP-OUT FROM A VIDEOTAPE ISN'T THE END OF THE WORLD.

BUT ANY FAULT, NO MATTER HOW SMALL, ON A FLOPPY DISK CAN DESTROY IRREPLACEABLE INFORMATION FOREVER.

THAT'S WHY EVERY VERBATIM DATA LIFE AND VEREX DISK IS CERTIFIED 100% ERROR-FREE AT THE TIME OF MANUFACTURE.

THAT'S WHY MORE PEOPLE HAVE BOUGHT VERBATIM DISKS THAN ANY OTHER BRAND IN THE WORLD.

THAT'S WHY VERBATIM STICKS TO DOING WHAT IT DOES BEST AND LEAVES THE SONG AND DANCE TO THE OTHER GUYS.

Verbatim.

THE FAMOUS FLOPPY DISK COMPANY.

VERBATIM LIMITED, 12 MOLE BUSINESS PARK, OFF STATION ROAD, LEATHERHEAD, SURREY, KT22 7AQ
 TEL: (0372) 377555. TELEX: 892757.

From Today, Live Racing Comes To The High Street.



Today is a big day for Ladbroke. For the first time, betting shops are being allowed to show live coverage of sporting events.

Now our clients can see horses in the ring before the race, snooker stars in mid-frame, even the World Cup in Mexico. All as it happens.

We can offer customers refreshments, too (sorry, no alcohol) and a chance to sit down in comfort.

With over 1500 shops in the UK and by far the biggest share of the market, Ladbroke are more than ready for the changes.

We've already invested in the most modern communication and computer technology.

From our control centre at Harrow we've laid down a land-line to all our shops.

Electronic showboards and banks of TV monitors are already in place, alongside snack bars or vending machines. (In our larger shops you'll also find waitresses.)

Through our involvement in satellite television we'll even have the facility to beam in races from abroad. (Handy in the kind of bad weather we've been having recently.)

We believe we're several years ahead of our rivals in these developments.

No-one else has our operating experience

abroad. We own over 800 betting shops in Belgium and take the lion's share of the market.

Last year we bought a race course in America. When legislation allows off-track betting, we'll be there ready for the off.

Of course, racing is just one of three core businesses that have made Ladbroke one of Britain's top 100 companies.

Our Hotels and Property divisions are also making major contributions.

But, today, it's racing that's in the news.

And no-one is better placed to take advantage of that news, than Ladbroke.

Ladbroke. The Far From Leisurely Leisure Group.

TECHNOLOGY

\$20m gamble to leapfrog into lead

FEW ENGINEERS ever face as daunting a goal as Mr Louis Steen was set about three years ago: to design virtually from scratch a product as complex as a jet aircraft, which would give his company a clear lead in a fast-growing sector of the world market for semiconductor manufacturing equipment.

Peter Marsh on an ambitious project which breaks new ground in microchip equipment

Mr Steen is managing director of the implant division of Applied Materials, a leading US microchip equipment maker. His mission was to lead a \$20m programme to develop the world's most advanced ion implanter, a machine which carries out a vital process in the production of microchips by blasting silicon with a controlled stream of atoms.

The success of the programme, which was completed last autumn, is vital to Applied Materials' hopes of leapfrogging straight into the front ranks of the \$300m market for ion implanters. At present, 80 per cent of sales of this equipment are accounted for by just two American companies, Varian and Eaton. There are several smaller suppliers, including Nissin High Voltage and Ulvac of Japan and Veeco of the US.

The development of the machine is a fascinating story of technological ingenuity. The \$2.3m product, which takes up the space of a small room, has 80,000 mechanical parts, 600 sensors, 32 microcomputers and 750,000 lines of fault-tolerant software, about the same number as in a management system to run a large business.

At its peak, the project was consuming \$500,000 a month, with no certainty of a profitable return. Every Monday morning I felt I was shovelling another \$100,000 into a furnace," recounts Mr Steen.

The three-year development took place in great secrecy in the unlikely location of Horsham, a quiet market town in Sussex, England, some 40,000 km from the headquarters of Applied Materials in Santa Clara, California.

The US company gained this UK base through acquiring in 1980 Lintott, a small British company which was an early pioneer in ion implantation, yet whose management and financial strategies went disastrously wrong in the late 1970s.

The new machine has led to widespread interest in the semiconductor world. "On paper, the machine looks really good," says Mr Joseph Grenier, an analyst at Dataquest, the US market-research company.

Siemens, the West German electronics company, has bought the first production version for turning out a new generation of 1 Megabit random-access memories, chips which can store about 1m digits of information.

Applied Materials plans to sell a further nine machines this year, which would increase its market share in ion implanters from zero to 10 per cent in 12 months.

To achieve this, the company has to win orders from the world's top electronics concerns which include Texas Instruments, Motorola, Hitachi and NEC. Until now, Applied Materials, with annual sales of \$180m, has sold mainly etching and deposition equipment used in semiconductor processing.

Lintott was on the edge of bankruptcy when it was purchased by Applied Materials for less than £1m. The UK company had started life in 1977 making equipment for blacksmiths.

It ventured into general engineering into ion implantation almost by chance. In a fortuitous deal in 1969 with the UK Atomic Energy Authority, Lintott acquired the commercial rights in ion-beam technology developed by the authority's Harwell laboratory.

Harwell engineers had worked out that by stripping atoms of electrons to form ions, separating them in magnetic fields and then accelerating the particles electrostatically they



The Applied Materials team. Left to right: Mike Wauk, Louis Steen, Charles Fruit, Nick Bright, Dr Derek Aitken, Fred Plumb and Mike Hall

had a tool with which to bombard silicon. By projecting ions of boron, phosphorus and arsenic a few millionths of a metre beneath the surface of a silicon wafer, engineers found they could change the material's electronic characteristics to produce dense patterns of transistors and so form integrated circuits.

Lintott's technical record speaks for itself. Of the 30 or so Series III implanters which Lintott sold over about 10 years, 27 are still in use. Yet by the late 1970s, with sales, tied over at some £2.5m a year, the company was still housed in the original blacksmith's buildings and run by people with little knowledge of the specialist demands of the world's chip industry.

After the acquisition, Applied Materials spent about a year evaluating sales prospects before it halted production of the old models, declaring them obsolete, and hanked everything up to developing a new machine.

The company realised it had obtained enormous technical talent. "There were probably only a dozen guys in the world capable of building the kind

of system we were thinking about," says Mr Steen. "We had two of those people at Horsham."

Mr Steen is referring to Dr Derek Aitken, a physicist given the job of developing the ion beam system in the new product, and Mr Fred Plumb, an engineer who devised the power controls.

Others among the 35 ex-Lintott employees who are still with Applied Materials played key roles in the project. The total workforce has expanded from 60 in 1980 to 170 today, of whom seven are American.

These include Mr Steen, a marketing specialist who before working for Applied Materials in California was employed by Motorola and GCA, big US semiconductor concerns.

Two other Americans were given important parts in leading the project: Mr Mike Hall, a systems engineer with experience of the aerospace industry, and in Mike Wauk, a semiconductor expert.

The development team created four prototype implanters before building the machine, labelled P-2, which was sold to Siemens. In between the third proto-

type and P-2, the engineers redesigned 40 per cent of the parts. "The basic concept was good," recalls Mr Steen. "But in a system as complicated as this you are always going to run into design problems which need attention."

Not the least innovative part of the exercise was the way Applied Materials financed the early part of the development. In 1982-83, the company was short of investment capital due to other demands for funds caused by a trough in equipment sales.

The company's Horsham accountants arranged a novel financing package in which three investors — the National Coal Board's pension fund, British Technology Group and Morecrest, an investment arm of Midland Bank — put up \$3m to back the development.

With \$2m of its own money and a \$2m grant from the Industry Department, the tranche of cash enabled Applied Materials to spend a total of \$7m on the scheme by the end of 1983. Applied Materials bought the investors' stake in the project in 1984, after the company was confident the work would pay off.

Europeans in £1.8m research consortium

COMPUTER INTEGRATED manufacturing systems are to be developed by a consortium of three European companies and two universities in a £1.8m project within the Esprit programme.

The three companies are ICL, Dextra, a UK leader in real time production control systems and Krupp Atlas Datensysteme, the recently re-formed Krupp information technology group. University contributions will come from the expert systems and knowledge engineering group of Delft, and the production engineering laboratories of Twente, in Holland.

The object of the programme is to make major advances in the integration of computer systems on or near the shop floor at a level which so far "has not been achieved in any commercial system."

It will embrace production planning, scheduling, database management, supervisory control and factory floor data collection.

Then, says the consortium, it will become possible to acquire a system able to provide small to medium-sized batch production runs (where 70 per cent of Europe's industrial production takes place), with flexible manufacturing.

PROFESSIONAL PERSONAL computer hardware sales, which are regularly monitored by Wharton Information Systems, Richmond on Thames, amounted to 219,659 machines in 1985.

For January this year, the market research company's interviews identified 2,494 personal computers, sold by its respondents, estimated at nine per cent of the market's total. Of this sample, the percentages sold were 44 by IBM, 15 by Olivetti, 12 by Apple, seven by Compaq and four by Apricot. More on 01-940 7366.

FIZZY DRINKS, ice-cold, can be created at home by a table-top machine called SodaMate. Costing \$100, it is about to be test marketed in the US by Cadbury Schweppes.

Around the size of a home coffee maker, SodaMate contains a pressurised carbon

A MOVING EXPERIENCE
International Handling and Storage Exhibition
NATIONAL EXHIBITION CENTRE BIRMINGHAM
18-21 MARCH 1986

WORTH WATCHING
EDITED BY GEOFF CHARLISH

located above the dispensing area. A fixed ratio of water and concentrate is dispensed and the concentrate bottle is easily interchanged — there are 20 flavours available. More on 021-458 2000.

GLASSWARE DESIGN time has been cut from about five days to a few hours at Hockley Glass in Yorkshire using coloured, "solid" models of the products on a computer-aided design screen. Apollo Computer provided the hardware, Deltacam Systems the software.

Designs can be built up using screen and keyboard so that colour shading of the final image reproduces the exact light and dark effects of an actual glass container.

A full printed technical specification is produced at the same time, as well as colour prints of the screen image that the customer can take away. More on 0977 84651.

MOBILE RADIO coverage of an area bounded by Blackpool, Preston, Bolton, Manchester and Chester has been provided by Fenline Communications using "trunked radio" technology.

In trunked systems, a radio frequency channel is allocated, by computer, only when two parties need to talk, thus making best use of the available number of channels.

The company says that a five-vehicle system, written off over four years, costs £10 a day for cellular, £5.75 for conventional and £5.75 for trunked. More on 0706 624931.

Faster and simpler way to produce greater variety of chips

APPLIED MATERIALS' new ion implanter breaks ground in two areas, by offering high beam currents and being straightforward to operate.

The principle is the same as in conventional implanters. Electrons are stripped off a material such as arsenic or phosphorus by bombarding the substance with other electrons.

Conventional implanters operate at no more than about 10mA (milliamperes) while Applied Materials set its sights on a 36mA machine. The higher the current, the more particles are shot at a wafer and the less time is required to effect a given "dose" of ions.

The difficulty lies not in producing more particles at the ion source, but in separating them effectively. The more ions are in the beam, the more they repel each other due to their like charges, broadening the

beam. Broad beams increase the size of the magnet needed to separate the ions. In conventional implanters operating at 36mA, the beam would require a magnet about as big as a desk.

In Applied Materials' design—which, to pack a beam into a small space, uses a novel way devised by Dr Derek Aitken, the implant division's chief scientist—the magnet is a 50-cm cube, about an eighth of the size which would normally be required. In conventional machines,

the beam impregnates one wafer at a time. But with high currents, wafers exposed in this way would be deformed by the extra heat.

Applied Materials hit on mounting 25 wafers on a large circular disc which rotates through the path of the beam. This innovation, originally devised by Western Electric, the US telecommunications company, ensures that the wafers stay cool, obtaining a burst of energy for only a split second before moving out of the way.

Because of these innovations, says Applied Materials,

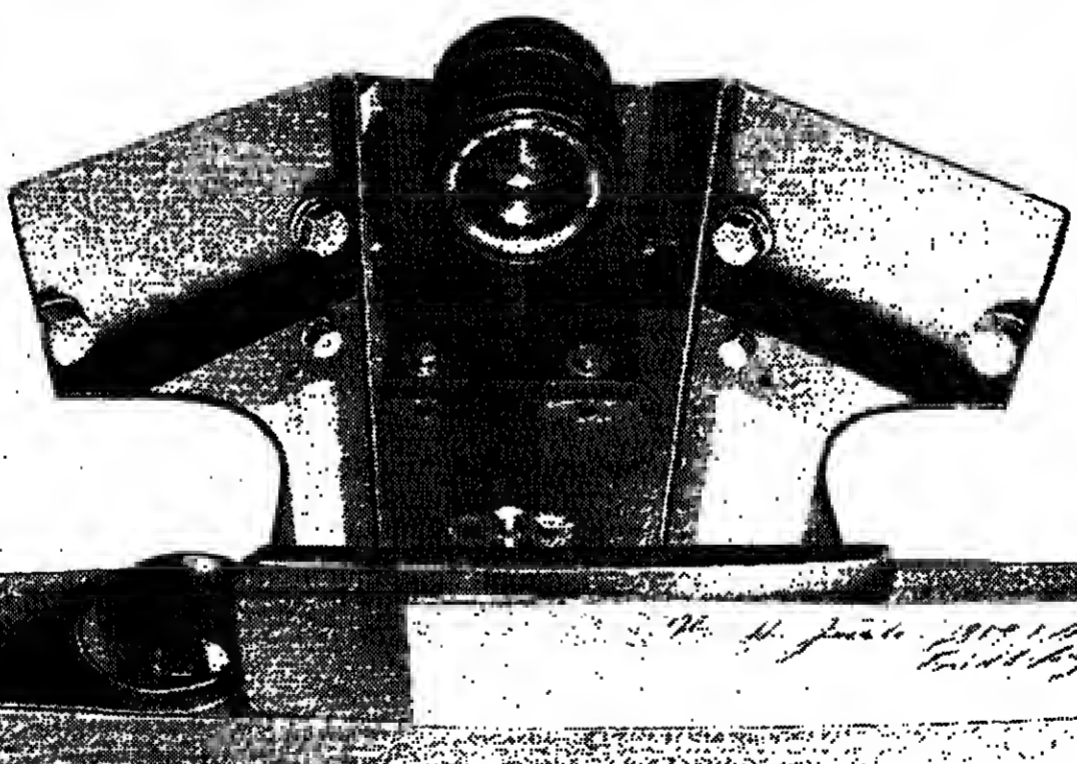
the new machines can implant silicon three times as quickly as rival equipment.

The engineering team also built into the machine a large element of automation. Normally, a highly skilled technician is required to "tune" an implanter, manually setting about 100 different factors related to the beam's operation.

As a result, it is time consuming and costly to switch an implanter between different jobs, such as are required, for example, in making the latest generation of chips

customised to specific applications. Such chips may require up to 15 different implants, each requiring changed doses and differences.

Applied Materials says, in contrast, that its equipment will run under the control of a relatively low-grade operator, who will need simply to type in instructions on a keypad. The implanter's electronic memory could contain up to 500 "menus" describing a range of implanting operations. Different mixtures of menus being required for different chips.



AEG technology has created a "postman" who can sort 160,000 letters an hour... and never takes a coffee break.

Over 36 million letters are mailed every day in West Germany and each letter is checked, rechecked, sorted and resorted before it arrives at its destination.

Only the most high performance "postal worker" is up to handling this challenge. That particular "postal worker" can be found at Frankfurt West Germany's post office number three. It just happens to be one of the most powerful letter-sorting systems in Europe. A system which handles up to 160,000 letters an hour automatically.

At the heart of the system is the address reader, a device which requires but a split second to read an address.

High technology at its functional best... available from AEG.

Over 1300 sophisticated mail-sorting systems from AEG have been installed or are scheduled for delivery to post offices throughout the world.

We can't control rain, sleet, snow or the gloom of night... but we have shed new light on the problem of handling huge quantities of mail. A light created by advanced technology from AEG.

Advanced technology from AEG: This means electrical and electronic equipment, systems and installations for communication and information, for defence and transport, for the office and the home.

AEG (UK) Ltd.
217 Bath Road
Slough
Berkshire SL1 4AW
Phone: (07 53) 87 21 01
Telex: 8 47 541



You can find AEG in 111 countries worldwide.

Handwritten signature or mark in a box.

An invitation to cut Hanson's profit forecast down to size.

+34%

34%. That's the profit increase Hanson Trust is forecasting for its current financial year.

From £252.8 million in 1985 to not less than £340 million. On the face of it, great news for Hanson's shareholders.

But where will these increased profits come from?

Well, we estimate that around 20% (some £52 million) will come from interest savings arising from last year's rights issue. In other words, a once-and-for-all gain paid for by investors.

Profits, certainly. But are these profits from organic business growth?

Out with the scissors. Lop off 20%.

+14%



That leaves 14%. Still a relatively healthy increase. But from where?

We estimate that £32 million should come from the first-time contribution to Hanson profits from SCM - a company bought during this financial year.

Once again, not profits from organic growth but from acquisition.

Bang goes another 12% or so.

+2%



And what are we left with? An increase of less than 2%. Oh dear.

Under 2% of organic business growth.

What's that? Inflation? You mean it hasn't been taken into...

-?%



The sources for the information contained in this advertisement are set out or referred to in the letter from the Chairman, Imperial Group plc to shareholders dated 6th March 1986. The directors of Imperial Group plc (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed are fair and accurate. The directors accept responsibility accordingly.

THE ARTS

Lend Me a Tenor/Globe

Michael Coveney

Here is a quirky enterprise: a smart, inventive farcical comedy set in a 1934 Cleveland Ohio hotel suite...

The less credible premise for the second act door-slammng activities in that the cast and hangers-on fail to spot the difference too...

By this time the play has degenerated into being competent and mechanical rather than, as in the first act, genuinely funny...

The star is proving difficult: Merrell with a nervous and frustrated, Merrell himself suffering with digestive problems...

Rowan Atkinson/Shafesbury

Michael Coveney

Rowan Atkinson's new show at the Shaftesbury Theatre is scatalogical, crude and funny, remarkable for its cunning large-scale atmosphere...

Much of the material, written by Ben Elton, Dick Curtis and Atkinson, covers familiar alternative comedy terrain...

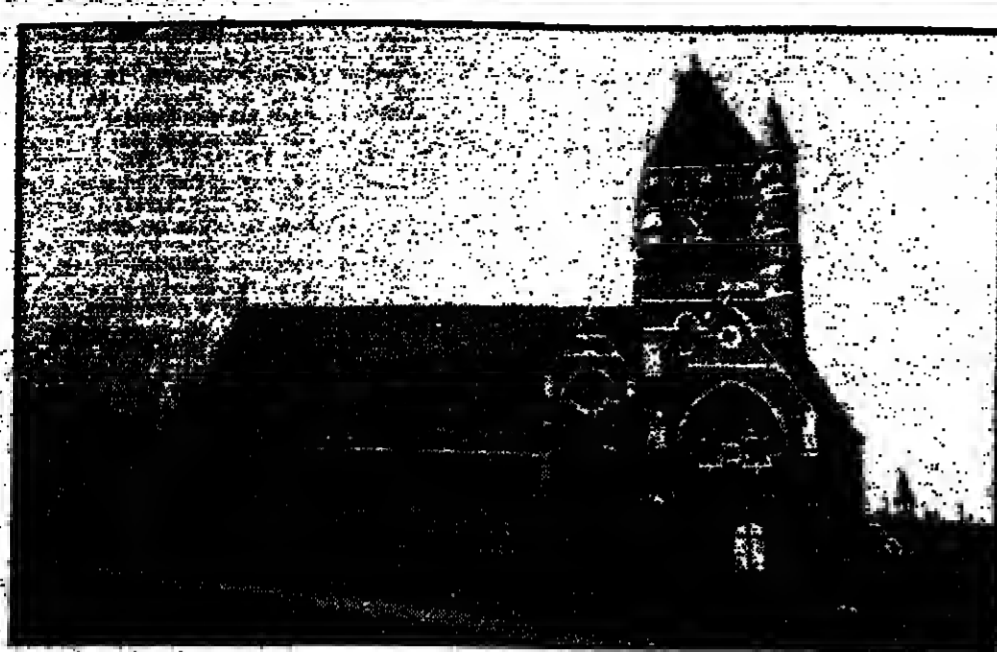
"Apparently some lunatic dressed as Othello tried to get into the theatre tonight" is the final act tag underpinning mistaken identities of two fuzzy-wigged, jewel-encrusted, baggy-hosed baroes assailed on all sides by lovers and employers...

No mercy is shown, no affiliations declared. The biggest danger in a clever robotic sci-fi spoof is Wogan the Terrible. Gummer, Hatton and Scargill are rapidly fired down in a country song...

The inhalation and transport across the stage of a misplaced follow-spot is perhaps a mistaken steal from the great Popov, and the pace flags a little as the George soccer manager faces his team who are 37-0 down...

There is a billious proxy acceptance speech from a losing nominee at a showbiz thrash, Atkinson emerging swearing from the stalls to pick up the tank...

There is a billious proxy acceptance speech from a losing nominee at a showbiz thrash, Atkinson emerging swearing from the stalls to pick up the tank...



The great hulk of St Stephen, Rosslyn Hill, Hampstead, is in danger of demolition

Architecture/Colin Amery

Halt to church demolition sought

St. Thomas, Regent Street; St. Lawrence, Brondesbury; St. John, Islington; All Saints, Clapton Park; St. Mark, Notting Hill; St. Paul, Tottenham; St. Michael, New Southgate; St. Mark, Victoria Park; St. Luke, Hammersmith; St. Peter, Cricklewood; St. Peter, Tottenham; St. John, Kilburn; St. Peter, Limehouse; Christ Church, Lancaster Gate; All Saints, St. John's Wood...

They have gone under the procedure known as the Pastoral Measure—a special procedure passed in 1968 to ensure that the established Church of England shall continue to have its own system for dealing with redundant churches...

Barshai's Mahler/Festival Hall

David Murray

Friday's Bournemouth Symphony performance of the Mahler Ninth demonstrated several things: that the Bournemouth Symphony is a very creditable orchestra, that the Ninth Symphony doesn't play itself even with a credible orchestra, and that Rudolf Barshai isn't much of a Mahler conductor...

A Winter's Tale/Birmingham Rep

E. A. Young

The vast stage of the Birmingham Rep would hold the entire kingdoms of Bohemia and Sicilia side by side, even within the forestage that the Birmingham School of Theatre Design have added...



Liza and Rowan: "Show-biz is not what it used to be... it's better"

Liza Minnelli/London Palladium

Martin Hoyle

Show-biz is not what it used to be: it's better. Liza Minnelli is here for two weeks with a superbly drilled and immaculately professional show. Her 90-minute stint, after a first half warm-up from The Footloose, is as memorable for what it omits as for what it retains...

Saleroom/Antony Thorncroft

Reynolds in family mood

REYNOLDS was at his best painting courtisans and children, and on Wednesday Sotheby's is offering one of the latter—a portrait entitled Simplicity—Miss Theophylla Gwatkin...

Arts Guide

- MUSIC LONDON: Bournemouth Symphony Orchestra, Mahler Ninth. Festival Hall (Mon). Bournemouth Symphony Orchestra, Mahler Ninth. Festival Hall (Mon).

- SPAIN: Barcelona, Ensemble Clement Janquin. Barcelona, Ensemble Clement Janquin. Barcelona, Ensemble Clement Janquin.

Get your News early in Köln. Sie erhalten die Financial Times im Abonnement durch Boten zugestellt. Näheres erfahren Sie von Financial Times Europe Ltd. GUILLETSTRASSE 54 6000 FRANKFURT/MAIN 1 TELEFON 069/7598-0 TELEFAX 4 16 193

Harsh lessons of tin crisis

THE DISAPPEARANCE of the tin contract on the London Metal Exchange after more than a century of trading is a severe blow to the exchange with uncertain implications for London's more general reputation as a trading centre.

Soviet team to woo the West

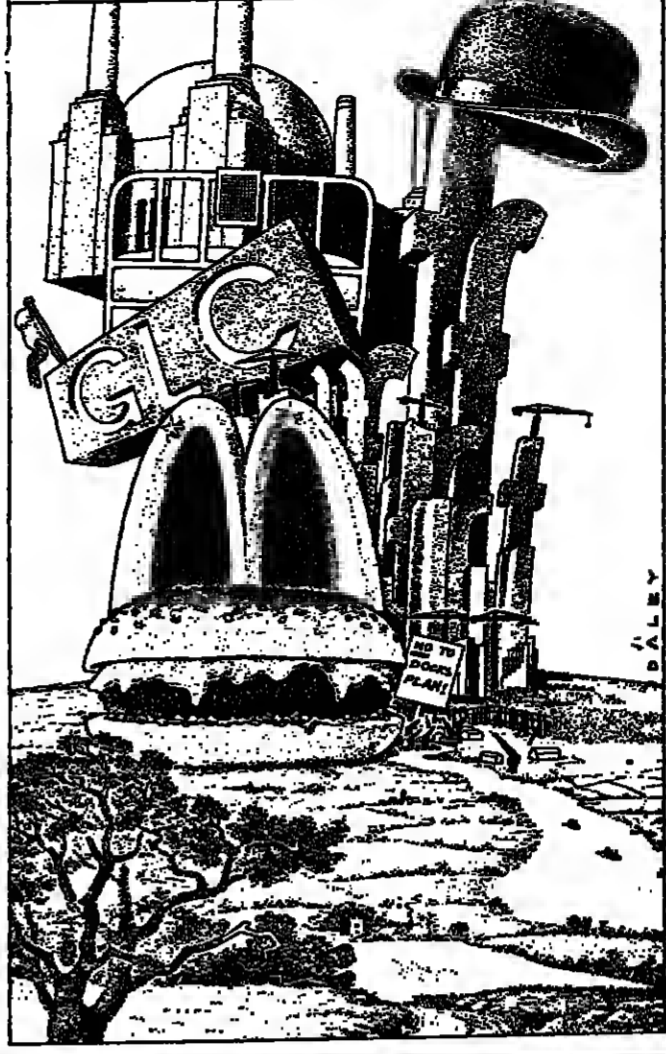
FOR ALL the myriad words uttered at the Soviet communist party's just-concluded congress, last week's reshuffle in the Kremlin power structure provides an even clearer indication of Mr Mikhail Gorbachev's real intentions.

'A LL MIDDLESEX is ugly,' says Cobbett, as he sets off across the Thames on his rural rides.

INDUSTRIAL RIDES (1): WOOLWICH TO BATTERSEA

Oh, brave new, brash new London

This is Industry Year. It is also a century and a half since the publication of Rural Rides, William Cobbett's journalistic excursion around southern England.



We start on the Thames, as Cobbett did: at Woolwich, where you can find the 3,000th MacDonald's and the first in the UK.

Bob Rhee opened the Woolwich store in 1974, with three other Americans from his Cleveland MacDonald's franchise operation: Rhee is now chairman and chief executive officer of MacDonald's UK.

Managers, whether good or bad, tend to rig. Even after the loss of their own store, or cluster of stores, they carry on being trained at the Hamburger University; and they carry on minding the store.

Everywhere are boarded-up buildings and lots, with Guards and Centurian Security signs up; the only uniformed men in crumpled uniforms

slouching about with Alsations, or watching portable TVs in flaking sheds.

But this is a snapshot merely. The moving picture records that plans are afoot. Or, as Reg Ward would say, in every problem there is an opportunity.

Reg Ward would say that, because he is director-general of the LDDC, which has the task of making things move down here.

To get there, come out of the Royals on Silvertown Way, past the Royal Dock Works site and on to East India Dock Road, then down Cotton St and past Poplar High St (where 'The

Steamship' offer striptease on Friday and Saturday lunchtimes) and down to the Isle of Dogs Enterprise Zone.

But the Canary Wharf development will dwarf all that. Its ambition is to become a second City, growing fat off the cream of the financial services market which is expected to boom over the next decade.

The decline of sterling post-war pushed the City into new areas; since the 1960s the huge rise in the eurodollar market has made the City something of an offshore enclave for the US.

In the 1980s, new markets have developed: fast interest rates have meant a boom in new issues of bonds, particularly by developing countries; increasing emphasis on lowering the cost of borrowing and the lifting of exchange controls round the world has meant the creation of the 'swap' market.

The City is running out of space, says Sander Csohaji, a Canary Wharf director and architect, and is not geared to cope with the rapid advances in telecommunications needed to keep abreast of these markets and the architecture—high cell-

ings, long floors—needed to fit round it. 'The National Westminster Tower is already technically obsolete,' he asserts.

But there are people already in the 14,000 'islands' on the Isle of Dogs, the remnants of the old dockers' community round the Millwall Docks.

Ward and Csohaji talked jobs, but were greeted with 'We've been told all this before,' shouted an enraged elderly man at Ward. 'Ain't f---ck all 'appened.' It was, in part, a demonstration of the fissures of class and class pride; in part workers' community 'which wishes to remain all of these things, but which has lost skills and work and stares at the loss of community.'

They are not alone. In their own Borough of Tower Hamlets, registered unemployment is around 21 per cent; you can see men in greasy anoraks walking about the freezing estates.

They stripped the making of furniture down to a few lines, buying in from smaller companies to make a range they carved out of the lumber of the old plant a production line and some rudimentary showrooms, got a US distributor, brought in

Courage and Vestey. Come out of the Isle along Narrow Street where Dr David Owen has and Janet Street Porter, the TV presenter, had fine town houses which the LDDC uses to entice the bourgeoisie, past the squads of builders gutting old warehouses to receive

the News International plant in Wapping where six-foot stamping pickets glow through the spikes and barbed wire at someone else's future. Cross Tower Bridge and along Woolsey Street and past the London Dungeon horror show, down Borough High Street, through the Elephant and Castle, down Walworth Road, along Albany Road and into Cobourge Road, where among decaying cars and snarling Alsations you find Family Tree. And the sound of manufacture.

Family Tree makes reproduction antique furniture. It's big for the trade, with 55 employees; most of its competitors are working out of silted rooms in Hackney, with half a dozen guys dodging the taxman, the rate man, the rent man, trying to undercut the Taiwanese who are sucking up the cheap end of the market. John Freedman and Steven Buttligger, who run Family Tree, piled their tables and dressers and bookcases at the middle end, where the Taiwanese have not yet reached; they took over the plant two years ago when, as Craft Chord, it was declining into near bankruptcy.

They stripped the making of furniture down to a few lines, buying in from smaller companies to make a range they carved out of the lumber of the old plant a production line and some rudimentary showrooms, got a US distributor, brought in

Brokers make counter claims

The northern unit of the London stock exchange—embracing brokers in Manchester, Liverpool, Leeds and Newcastle upon Tyne—has opened a shop.

This contribution to wider share ownership so far keeps short of selling shares over the counter. The rules do not allow that. But it rivals the efforts of London brokers who recently set up a sales unit inside a West End sales company.

The Manchester branch has moved into new offices in King Street in the city centre. As the premises have a shop front it seemed a good opportunity for some experimental marketing.

To help people make up their minds screens carrying prices and information have been installed, and there is a video explaining what the exchange is, and how it works.

Men and Matters

his eye on Anthony even before Anthony joined Touche Renmant, and says: 'We're very glad that he is joining us eventually.'

The brokers are now running a roster to serve the customers. When a potential customer comes in a quiet telephone call brings the duty broker round hot-foot. There is an interview on the premises where business can be transacted in private.

The northern brokers do not wish their shop to be confused with the Over The Counter market which, they argue, does not possess a real counter to call its own.

Paul Channon, the trade and industry secretary, opens the shop officially tomorrow. But already things are humming.

'We've had more than 100 people a day coming in,' says Ann Green, the manager. 'Some have been checking share prices, some have just been curious, and some have come in wanting to buy. Our member brokers are delighted.'

The brokers are now running a roster to serve the customers. When a potential customer comes in a quiet telephone call brings the duty broker round hot-foot. There is an interview on the premises where business can be transacted in private.

Heave to!

There's a flavour of Bluebeard and Captain Morgan about the job title just given to James Thomason.

He has been appointed Piracy Prevention Officer for Compost, a leading British producer of microcomputer software.

The company has discovered widespread illicit copying of its products. Thomason's job is to prosecute suspected pirates.

He reports early successes. 'Informers are revealing the identities of software pirates...'

High flyer?

Anyone who is a sound administrator, is interested in the future of aviation and fancies a prestige job based in Paris with salary paid in currency of the applicant's choosing, is advised to write at once to the Federation Aeronautique Internationale Paris headquarters.

Touch of ginger

A debate on how to prevent travel sickness is under way in the correspondence columns of the Pharmaceutical Journal.

One writer even claims the efficacy of his drug is endorsed by the Royal National Lifeboat Institution.

But what caught my attention is a claim that ground ginger—the kind you might sprinkle on melon—is often efficacious too.

Alan Ennroughe, technical director of Phillips Yeast Products, tells me his firm was alerted by an article in The Lancet in 1982, when American medics described experiments on students who had volunteered because they were so susceptible to motion sickness.

The blindfolded students were twirled in a revolving chair, to compare the efficacy of ginger with Dramamine, an anti-bistamine.

They concluded that ginger was better than the drug at suppressing queasiness. Ginger is a time-honoured treatment for fatulence and the medics thought it might be simply to mop up agents which can trigger nausea.

New Phillips is selling pure ground ginger in capsules for people to take before starting a journey. Its travellers are being sold without prejudice, as the lawyers say. The firm makes no claim they will cure you of travel sickness—only that they can help in many cases.

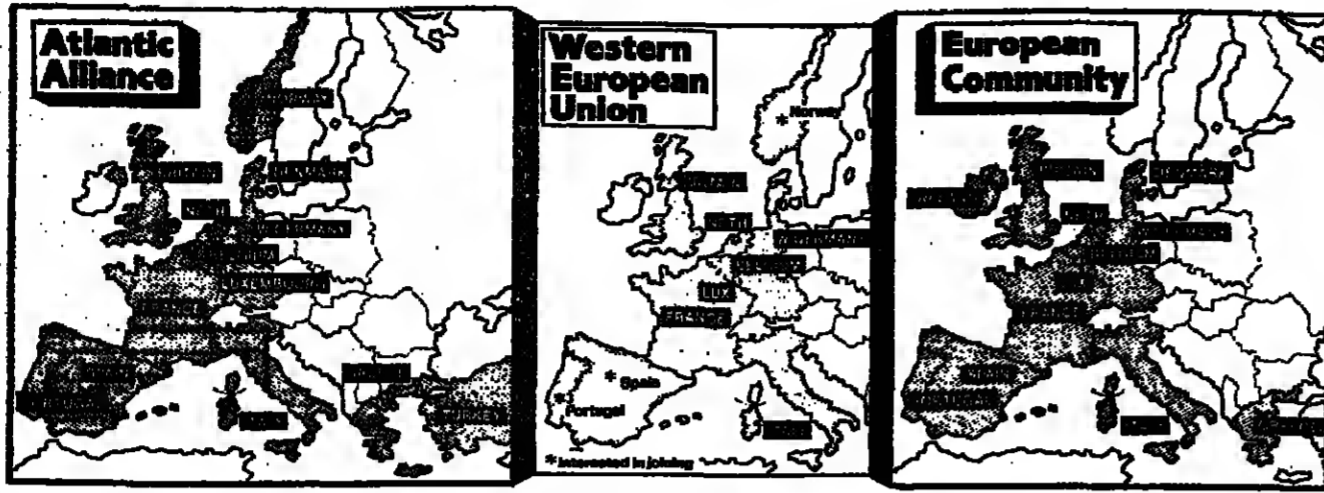


Quality in an age of change. Observer

FOREIGN AFFAIRS

Spain against the mainstream

By Ian Davidson



TEN DAYS AGO, Denmark voted in a referendum on the reform of the European Community treaties. The day after tomorrow, Spain votes in a referendum on whether to stay in the Atlantic Alliance. The result of the referendum may look like a curious coincidence, a statistical aberration, but it is rather more than that at the risk of sounding a shade portentous. It could be said to be the symptom of a shake-out in the political relationship between the countries of western Europe, and of the powerful national emotions aroused by the challenge to traditional assumptions.

In Denmark, there have long been serious reservations about the underlying political intentions of the European Community, in particular about the assumption of the founding fathers that the Community as it stands is only a step on the road to a more fully integrated Europe. In the event, the Danish voters decided to swallow their reservations, and endorsed a reform package which, in reality, is rather modest.

never high on the agenda, since Spain does not feel directly threatened by the Soviet Union. Spain does face a potential military threat, according to this line of reasoning, it might be aimed at the two enclaves of Ceuta and Melilla on the coast of Morocco—and Spain's partners have made it clear that Nato's responsibilities will not be extended to the southern shores of the Mediterranean.

Other European countries in a large alliance. It is most peculiar, on any rational grounds but perhaps not surprising, that the German government before its European neighbours for so long should take a few years to establish a new, democratic and coherent foreign policy posture.

but at least it is a rhetoric which is a far cry from the traditional shibboleths of Gaullist dogma. Moreover, he makes some specific recommendations which, if implemented, would carry France a long way from its established nuclear doctrine towards a closer alignment with Nato doctrine. According to Gaullist orthodoxy, which has largely been followed by President Mitterrand, France has rejected the Nato policy of "flexible response" under which tactical nuclear weapons would be used to avert conventional defeat. France is not committed to the forward defence of Germany, does not believe in nuclear weapons for fighting battles, and describes its shorter-range weapons not as "tactical" but as "pre-strategic".

Lombard

Only the clever get to work

By Nicholas Colchester

THIS BRITISH Government and, one suspects, the majority of the readers of this newspaper, believe in their bones that full employment will somehow come out in the wash if only labour markets can operate flexibly, the tax regime does not discourage entrepreneurs, and inflation does not obliterate the price mechanism. They have faith that the market will cope with the job-saving impact of the micro-circuit just as, once before, it coped with the effects of the steam engine and the industrial revolution.

A licence to make money

From Mr J. Jerram. Sir—The Government's programme of transferring public assets to the private sector has excited a certain amount of controversy, both as to ideology and as to price. There is one such transfer, in progress at the moment, which perhaps surprisingly, has received less than its share of comment.

Letters to the Editor

economy to absorb this slow-down without the disruption to which your articles allude. Indonesia's record of economic growth and development has always been predicted on sound and prudent fiscal management. President Soeharto's 1985 state budget, calling for Indonesia's first reduction in development spending in more than a decade, should send a clear signal to the international banking and investment community that Indonesia has not, and will not, spend beyond its means.

Support for BL

From Mr J. Dunlop. Sir—Recently in the Commons, while defending the Government's handling of British Leyland, Mrs Thatcher pointed out that tax payers' money equivalent to £200 per household had gone into British Leyland.

Better off on the dole

From Mr D. Franklin. Sir—The National Institute says (February 21) that unemployment could be reduced by 1m and it would be useful to raise income tax.

Business law studies

From Mr T. Wolstencroft. Sir—Stephen Hall-Jones (March 6) advocates various measures to close the gap between managers and their legal advisers. Such remedial action is obviously vital for those already employed in industry and in the legal profession but preventively it is also essential for future generations of managers and lawyers.

Contracting to expand

From the Director, Imperial War Museum. Sir—I was delighted to read William Facker's excellent review (March 4) of Ronald



Visit property in 12 towns across the country from the comfort of your phone.

The problem about re-locating or expanding your business is having to sift through long lists of candidate sites and properties. It's the same problem if you're looking for investment or development opportunities.

Blackwell—Central Lancashire—Coventry—Crawley—Barnold—Bathfield—Hemel Hempstead—Northampton—Radditch—Sleaford—Sovereign—Woburn Garden City

SECTION III
FINANCIAL TIMES SURVEY

Indonesia

The collapse of world oil prices represents the biggest challenge for the Indonesian Government since it came to power in the mid-sixties. President Suharto's astuteness in blending different interest groups harmoniously together will be tested to the limit.

Major challenge ahead

INDONESIA has been through two periods when the expectations of its peoples were raised to a level which later proved unsustainable. The first was during the rising tide of nationalism following the declaration of independence in 1945 and the defeat of the Dutch colonial power.

The late President Sukarno tried to satisfy those first great expectations with a diet of makeshift economic development and personal charisma. A succession of rebellions and subversive movements, which largely arose out of his inability to deal with rising popular discontent and economic chaos led to an abortive coup attempt of 1965 which eventually swept him from power.

The second period when the country's vast and rapidly increasing population glimpsed the promised land — and to a limited extent arrived there — came after the first oil price rise of 1974. The country's oil wealth gave birth to an unprecedented economic boom from which enough people benefited to give President Suharto, Indonesia's second head of state, a sound basis for consolidating his position until it became impregnable.

Then the price of oil began to fall — at first slowly — but later as energy-saving measures in the industrialised world and oversupply took hold, with dizzy rapidity. Oil and natural gas earnings account for over 80 per cent of Indonesia's state budget revenues and 70 per cent of export earnings. For every dollar drop in oil prices, government receipts fall by more than US\$300m.

For Indonesia's population of 150m scattered over the

By **ALAIN CASS**
 Asia Editor

archipelago's 13,000 islands, the belt-tightening which has lasted for three years is proving increasingly painful. It is not just a question of expectations dashed. For many it is now a question of making ends meet, and for a few, perhaps even of survival.

For the government, and for President Suharto, the collapse of oil prices represents the most serious challenge it has faced since coming to power in the mid-sixties.

Fortunately for Indonesia, President Suharto has a wiser, if less charismatic, head on his shoulders than his predecessor. He has succeeded, where President Sukarno failed, in finding the magic formula for a stable

society in this fissiparous country.

This peculiar Javanese political alchemy involves subtly blending the country's key power groups — military, political, and religious — into a harmonious whole which serves national objectives. In reality, the relatively small group — the army — holds the levers of power, but patronage and compromise create the illusion of consensus.

President Suharto has also been astute enough to appoint a number of talented technocrats to his government, who have introduced sensible and prudent economic policies, ploughing Indonesia's oil income into key sectors such as agriculture. The development of Indonesia's fertiliser industry, for example, has played a major role in turning the country from the world's biggest importer of rice in 1980 to self-sufficiency, and even a small surplus for export.

But with the oil price hovering around \$13 a barrel Indonesia's economy is struggling, and there appears little relief in sight.

Indonesia had already left the ranks of the big spenders by 1983 when it abandoned projects worth US\$10bn. The slowdown has since deepened as President Suharto, a conservative at heart, has pursued what one of his ministers describes as a better, safe than sorry policy.

At the start of this year Indonesia cut its annual budget for the first time in 17 years. Over-



● **PRESIDENT SUHARTO**, above, has built his reputation as "Father of the Nation." Achievements include impressive strides forward in the area of agriculture, but economic planners in Jakarta (left) now warn of two tough years ahead as oil revenues decline

all spending was slashed by 7 per cent and development spending by 22 per cent. The previous budget had been based on an estimated oil price of around \$29 a barrel, and a daily oil production of 1.3m barrels. The actual output averaged around 1.18m and prices had fallen to around \$27 a barrel by the end of last year.

This year's budget was based on a price of \$25 a barrel but probably anticipated a further drop. However, within weeks the price had collapsed and, in early March, the government was preparing to announce yet another round of expenditure cuts.

Mr Ali Wardhana, Indonesia's top economic strategist said in early March that the country would push oil output to 1.5m barrels a day or possibly higher to counter the drop in prices. "We have a population of 160m and we have to feed them," he commented.

In his January budget speech President Suharto maintained that the economy was resilient. Buoyed by low inflation, strong agricultural production and "quite adequate" foreign exchange reserves, it would weather the storm and two decades of economic progress would not be reversed, he said.

There is some truth in this but also an element of wishful thinking. President Suharto has built his reputation as "father of the nation" on his record of economic development and he must now be concerned that a prolonged recession will begin to undermine his standing.

Big contrast

Moreover, in contrast with the country's impressive agricultural record the performance of the industrial sector has been dismal. While it is true that Indonesia's foreign reserves provide the government with a comfortable cushion, and there is at least \$2bn in untouched loans, this situation could deteriorate.

Indonesia's debt-service ratio stands at 22 per cent and its total foreign debt at around \$27bn. While this is comfortable enough, Indonesia will be paying up to \$5bn in repayments this year and may have to make further borrowings if the balance of payments position deteriorates sharply with the further loss of oil revenues.

This sudden economic anaemia could not have come at a worse time for Indonesia or President Suharto. Although, at 64, he shows no signs of stepping down,

and remains strong enough physically to continue in power for as long as he wishes, the question of his eventual succession arises.

He will be 67 when his new term begins, comparatively old by Indonesian standards. Although sufficient consensus exists among the country's top power brokers to ensure a smooth succession, the process would be more assured if the country's political stability is underpinned by a healthy economy.

The laborious process of preparing for an eventual succession has, some argue, already begun, even though that event could be seven years away. Changes in policy and administration in the past two years, to tighten the way the country is run and reinforce the regime's control, suggest that President Suharto may already be thinking of his successor's problems.

Nobody knows who that will be, perhaps not even President Suharto, but he will almost certainly be Javanese general and Moslem.

The military has undergone a radical reorganisation under General Benny Murdani, the armed forces chief, while the state ideology, Pancasila, has been elevated virtually to a religion. Proclaiming belief in

five principles — one god, humanitarianism, national unity, democracy and social justice — Pancasila is chiefly aimed at blunting the threat of Islamic fundamentalism. More than 90 per cent of Indonesia's population is Moslem.

As one veteran western diplomat puts it: "Indonesia is basically stable under Suharto, but there are two wild cards he has to contend with. The first is the oil price, and that card has been dealt. The second is Islam."

Despite occasional rebellions by extremist Moslems, there are no signs of a mass movement against the government's refusal to subordinate the state to Islam, or against widespread corruption. The Javanese regard high office as a grace and its spoils as a natural prerogative.

But President Suharto is taking no chances. Golkar, the government party, has been reinforced under the leadership of Mr Sudharmono, the powerful state secretary. All civil servants, down to village level, are pressed to join Golkar in a blatant attempt at total identification between government and ruling party.

CONTENTS

● The financial scene: economic prospects; banking; foreign investment; the stock market Pages 2-3

● Political scene: how power rests in the hands of the few; the high cost of corruption; Islam; the army's role; foreign policy Pages 4-7

● Energy sector: adjusting to world oil prices; gas projects; Pertamina's role; coal; BP profile Pages 8-9

● Industry: the slowdown continues; cutbacks in the car sector industrial profile Page 10

● Resources and commodities: agricultural successes; plantation problems; commodity markets Pages 12-13

● The regions: developments in Kalimantan and Sumatra Page 14

● Tourism and business guide Pages 15-16

CONTINUED ON NEXT PAGE

Bank Duta Proudly Introduce
 the Most Leading Payment System in the World
Bank Duta Card
VISA

With the appointment of Bank Duta Ekonomi by VISA as the authorized VISA Card Issuer in Indonesia, you may now obtain VISA Card through Bank Duta Ekonomi.

When you are an executive or professional who must frequently travel or entertain, Bank Duta Card - VISA is the most useful card for you. Bank Duta Card - VISA is more than a credit card, it's your credibility. With Bank Duta Card - VISA, you will enjoy more benefits:

Pay Your Bills in Rupiah
 You don't have to worry about the risk

of having different exchange rates, because you will always be billed in Rupiah.

Flexible Payment
 You have the option of setting bills, in full or by monthly instalments, according to the term of the credit facilities given.

Cash Advances
 In an emergency, you may advance cash from any Bank Duta Ekonomi branch offices or any VISA Card Issuer, without having to sign a cheque.

Worldwide Acceptance
 Bank Duta Card - VISA are accepted by hotels, restaurants, travel agents, and shops in Indonesia, as well as abroad where the VISA logo is displayed.



Take the advantage of getting Bank Duta Card - VISA now. Application forms may be obtained at VISA CENTRE - Jl. Palatehan 1/31, Jakarta Selatan or call for action:

733999 and 736483

VISA

The Most Exclusive and Prestigious Card

Bank Duta Ekonomi
 Foreign Exchange Bank

INDONESIA 2

Economy

The magnitude of the recent fall in oil prices has deepened the furrowed brows of Jakarta's economic planners, as Kieran Cooke reports here.

Two tough years ahead

FOR THREE YEARS Indonesia's economic planners have been preparing for a month like this February. Ever since the 17 per cent fall in the price of crude oil, at the end of 1982, they have been expecting worse. They have been expecting worse and considerable efforts have been expended to shore up the economic structure to withstand the shock.

Following the 1982 crude price fall, over US\$12bn in major development projects were put on ice permanently. A crash programme began to accelerate non-oil and gas exports and these have been making headway despite sagging markets for nearly all commodities. Efficiency and anti-corruption measures have been introduced, too, to cut down the bureaucratic factors which tended to increase costs and threaten competitiveness.

To reduce cash outflow and protect fledgling local producers, imports were severely reduced. Moreover, during the past three years the Government has lined up about \$3.2bn in as yet undrawn standby credits with foreign banks.

When Jakarta went to the market in early 1985 to increase credit lines, confident banks oversubscribed the issue, pushing it up from \$300m to \$400m despite the already high debt level. Last December, as the oil price crash drew ominously near, the country yet again made a successful foray into capital markets, raising \$300m in one debt issue and \$1bn in another. The borrowings were published early January just as the Government announced a 7 per cent cut in the proposed fiscal 1986-87 budget.

These preparations were none too pessimistic. Most pundits saw the oil price dropping in March at the earliest to the January-February crash was a surprise. The magnitude, with prices falling by nearly \$8 a barrel in a matter of weeks, was stunning. Worst case theories put the low at \$15 a barrel. Few local economists had any idea the bottom would be below \$15.

This has certainly deepened the furrowed brows of Jakarta's economic ministers, and they all expect a trying next two years but largely as a result of the severe protective measures taken since 1982. There is no panic. Foreign bankers and economists, commenting on the most recent debt issue, say they have no doubt the conservative management of the Indonesian economy will keep the country on a stable footing, despite the endless rounds of belt-tightening.

Economic growth could be flat in 1986, following the estimated 1 per cent attained last year. In his January speech to parliament to present the next year's budget, President Suharto warned that GDP growth could not be expected to be further, un-avoidable cutbacks in government spending. He stressed the need for a calm and realistic attitude toward the present difficulties. With diligence and discipline, President Suharto told the legislators, the country's resilience could be maintained.

The unprecedented 7 per cent cut that was announced for the year beginning April 1 was a direct result of the oil price collapse. Earnings from oil and natural gas had accounted for 65 per cent to 70 per cent of government income over the past several years, but in the new budget the portion was cut to 55 per cent.

The budget

By a longstanding law, the Indonesian budget must be balanced. This has been particularly difficult for the forthcoming year. Chief economic planner minister Dr Ali Wardhana, says the Government loses about \$400m for every \$1 fall in the barrel price of oil. A balanced budget was still possible when the oil price was projected to stabilise about \$19. Now Wardhana says there is the possibility of a budget revision after the oil market has settled down.

Foreign aid has, in the past years, allowed the Government a high level of expenditure on development. In the upcoming fiscal year development spending has been cut from 10.8 trillion rupiah (US\$8.4bn) to 9.3 trillion. Development aid has fallen, to protect levels of debt, now about \$27bn in mostly soft-term loans.

To make up for the economic losses resulting from spending cutbacks, the government has opened up the tax net to new taxpayers and attack. Since early 1984 a massive rewrite of archaic tax codes has been under way. Previously taxes were for the most part a matter of negotiation with often-corrupt tax officials. Those qualified to pay taxes hid their best to hide from collectors, and if assessed rarely reported even as much as half of their taxable income. Moreover, a significant portion of taxes paid never reached government coffers.

Now paying taxes is based on self-reporting guidelines, and the collector has no power to harass, or cheat, the taxpayer. Tax codes are simpler and encourage an openness of accounts. The result has been a significant widening of the tax base, the number of taxpayers nearly doubling in the first two years.

Efficiency is the catchword of the other angle of attack. Implementation of major projects, beset often in the past with waste and fraud, is being intensely scrutinised so as to speed up the underlings and get more out of the development budget.

To build up non-oil exports—crucial for lessening the dependence on petro-dollars—other reforms have been undertaken, with the already visible effect of making Indonesian goods more competitive internationally. The well-known presidential instruction IV of 1985, or Inpres IV, dismantled half the notorious customs apparatus. A full 6,000 customs officials, mostly based at the thoroughly corrupt main Indonesian port, Tanjung Priok in Jakarta, were given indefinite furloughs. Their role in slowing down trade, extorting extreme payments from both importers and exporters, was virtually eliminated. Many of the handling procedures which stood as impediments to smooth trade in Priok and other main ports have been eliminated.

The Swiss inspection company SGS has been given the contract to assess trade merchandise for quantity and quality so that accurate duty payments will be made. SGS directs duty payments directly into the treasury, with the result that tax collections in the trade area have soared. Yet costs for many traders have dropped. Exporters say shipping, clearing, and forwarding costs added on to their goods value have fallen by at least 50 per cent, and the goods no longer get held up for weeks on end in the port.

It reinforced the commodities takeoff of the past three years. In 1984, non-oil exports, mostly, commodities and textiles, grew 17 per cent. This slowed to about 6 per cent in 1985, a reflection of softened demand from the global market. Exports of tea, rubber, non-ferrous metals, prawns, electri-

P.T. ASEAM INDONESIA

MERCHANT BANKERS



Shareholders: Bank Bumi Daya — Banque Paribas
The Dai-ichi Kangyo Bank Ltd. — Dresdner Bank A.G.
Kleinwort, Benson Limited — Union Bank of Switzerland

16th floor, Bank Bumi Daya Plaza, Jl. Imam Bonjol 61, Jakarta — Indonesia
Telephone: 321932 Telex: 61483 ASEAM IA Cable: ASEAMBAN

Banks hit by shrinking assets

FOURTEEN MONTHS have passed since the governor of the central bank, Bank Indonesia, announced measures to counter chronic rupiah shortages in the interbank market brought on by a series of deregulation moves begun in 1983.

Just a few months before the announcement, overnight rates for interbank money were constantly over 30 per cent. At one point, in September 1984, they rocketed to 90 per cent. The rupiah shortage was severe enough that BI had to open special liquidity credit facilities which the banks quickly leapt to, borrowing Rp 300bn (\$300m) in short-term contracts.

The new money market instruments, announced by the BI governor, Arifin Siregar in January 1985 were extremely successful in creating a more fluid market. Interest rates for short-term deposits fell immediately, and since then have sunk to below 20 per cent.

By allowing banks to endorse and discount corporate clients' commercial paper and bills of exchange, and to issue notes of their own, BI successfully averted a crisis that had already claimed one bank as a casualty and left several others on the brink of disaster.

The money market instruments and controls instituted on individual banks' interbank borrowing also left enough leeway in the market that banks could easily supplement the Rp 300bn in special credits allotted them during the previous September's credit squeeze. An expected shakeout in the industry never happened.

In a regulatory sense, the banking system in Indonesia has never been healthier. The 1984 deregulation allowed banks to freely compete for rupiah deposits by setting their own deposit rates, and the subsequent opening of these instruments solved the temporary shortage brought on by heavy competition for the rupiah. BI has been able to stabilise interest rates, keeping them only slightly high to prevent a flow of funds offshore into interest-bearing dollar accounts.

This has been quite a lot of activity for Indonesia, where the Government's finance czar is perpetually preoccupied with the country's external accounts. The once quick-fix attitude has edged closer toward developing longer term reforms.

Since the recent round, though, BI and the Finance Ministry are content to leave things be for a while and turn to the balance of payments.

The money economy, inseparably tied to the fortunes of Indonesian crude oil on the international market, has been in decline over the past three years.

The situation worsened severely with the steep plunge the oil price took this January. A large amount of private business depends either on the slumping oil sector, or contracts from the strongly centralised Government.

With oil income dropping, many banks have a host of bad loans on their books, and have spent the past two years trying to restructure and re-evaluate their portfolios. For most, it translates into shrinking assets, if not in rupiah terms then in real dollar terms.

Across the board

Difficulties traverse the entire sector: the state banks, with 80 per cent of the business; the foreign banks, with only 5 per cent; and the national private banks. The problems in the state banks, heavily into commodity development projects when most commodity prices are dropping, has meant less central bank support is available for the others.

BI has, by all accounts, done an admirable job managing a difficult situation during the deregulation period. One bank, Bank Perkembangan Asia, did fail, but BI took over management before any run on the bank's assets occurred. In January, after nearly two years of sorting out BPA's finances, BI handed it over to a group headed by the former senior government economist, Sumitro Djodjohadikusumo, with the large Jakarta-based Astra group as partners.

BI was also forced to take over Bank Pacific, the smallest of the locally-owned foreign exchange banks, last year. Again, BI has attempted to sort out the bank's affairs and is expected to sell its assets to private investors in the near future.

In the difficult economic environment, the private banks are seeing the disadvantages of the country's free currency exchange system. Depositors are constantly worried about a possible devaluation, a growing prospect as government oil income drops. If movement into offshore dollars grows too rapidly, the market could gain too much liquidity and weaken banks would find it most difficult to source rupiah.

Senior leaders in the Government, including Mr Siregar, Finance Minister Radikus Prawiro and President Suharto himself, have most recently repeatedly stated there would be no devaluation in the near future.

These assurances have hardly lent the market confidence in the rupiah over the medium term. Banks still register about 90 per cent of their deposits in the short-term, under six months. That there is now a great deal of liquidity keeps interest rates down. In the weak economy, quality borrowers are few and far between, too.

But while times are quiet, banks are mulling ways to strengthen their asset base. The talk is promising: it leans towards a loosening of the state banks' hold on deposits they control, those of state-owned corporations, insurance, and pension funds.

If the state banks would let out a small percentage of this long-term money to the private institutions, it is argued, there would be far more stability in both sectors. The private banks could operate with increasing efficiency, and have more funds to support the private sector.

The Ministry of Finance are slowly working out a number of minor changes to liberalise the atmosphere, and simultaneously strengthen the system top to bottom. Last year the ten foreign bank branches in Indonesia were allowed modest amounts of access to the market outside Jakarta, up to now not available to them except through their leasing subsidiaries.

The biggest test so far

CONTINUED FROM PAGE 1

The army, the real power in the land, has been instructed to act as Golkar's backbone while persistent efforts are made to negotiate Javaese-style compromise with the country's powerful Islamic parties and organisations.

Dissected harshly dealt with, as the 10-year sentence on retired general and diplomat H.R. Dharsoo at the end of last year starkly demonstrated, Mr Dharsoo was accused, with others, of subversion because he questioned government explanations of what happened when troops dispersed demonstrations in the poor North Jakarta dock area known as Tanjung Priok in September, 1984, killing more than 30 people.

Among those who signed the statement in challenge to the government were 16 members of so-called petition 50, the country's most vocal dissident organisation, founded in 1980, which consists of retired military officers and former civil servants. The group is a constant thorn in the government side, even questioning the Army's claim to play a dominant political role in a country where the military retains its part in the struggle for independence as a passport to power this is nothing short of heresy.

Fortunately, Indonesia has no external threats to worry about. There are persistent mutterings among some generals about the long-term military superiority, few people in Jakarta seriously believe that Peking will one day invade Indonesia.

The turmoil in the Philippines was, and remains, a source of concern but, again, represents no threat to Indonesia, where the Communists have been reduced to virtual impotence since the purge which followed the 1965 coup attempt.

President Ronald Reagan's forthcoming visit to Jakarta, and the decision by the US to sell advanced F-16 fighters to Indonesia even though it cannot afford them, affirms Washington's tacit recognition of President Suharto's importance in south-east Asia.

Whether Indonesia can move towards the 1990s with as much assurance as it has shown over the past decade remains to be seen. President Suharto has carved an unassailable position for himself through a mixture of good sense, guile and ruthlessness. The institutions of government and the army are under firm and increasingly competent control. There are no visible threats to stability. Indonesia does not appear to have a Khomeini either at home or in exile.

Indonesia, is however, a vast and complicated country difficult to hold together at the best of times. If the oil price drops even further, and fails to recover, the country's resilience will be tested to the limit.

Ian Williams

Sweet results



We would not take any hurried decision in regard to your request for our assistance. A decision made in a hurry could cause an adverse effect to your company and to our business relationship. We would like to have discussions about the business of your company first which might take some time. We know from experience that a thorough discussion will finally offer sweet results. For the solid basis for a close cooperation between our two companies is a good acquaintance to each other.

Your address for progress



Head Office: 81, Jalan Duren Tiga, Jakarta

Head Office: 81, Jalan Duren Tiga, Jakarta

Head Office: 81, Jalan Duren Tiga, Jakarta

Head Office: 81, Jalan Duren Tiga, Jakarta

Head Office: 81, Jalan Duren Tiga, Jakarta

INDONESIA 4

The nation enjoys political stability, but the intriguing question is who will eventually succeed President Suharto?

Power rests in the hands of the few

TO WATCH people cross the street in Jakarta is to witness a display of audacious nonchalance. Nothing, even among some of the world's most undisciplined drivers, is hurried. It is almost an arrogant stroll. In much the same way, President Suharto rules over the nation of more than 13,000 tropical islands.

The "Smiling General" who has led Indonesia for the past 18 years epitomises the Javanese ruler of olden days: seemingly unperturbed at being head of an acutely complex country of 165m people, Mr Suharto is capable of encouraging an almost mystical belief in the ability of the Father or "Bapak" of the nation to achieve and to provide.

Modern Indonesian history falls into two neat parts. For 20 years after independence from Dutch colonial rule in 1945, there were the nation-building years of the flamboyant President Soekarno, years filled with political turmoil and economic crisis. But Suharto also successfully instilled an intense nationalism in Indonesia's diverse peoples; this nationalism is still very much alive today.

The transition to the Suharto Government was not peaceful. Up to a million people were killed in the wake of an alleged Communist coup attempt. Several thousands more were imprisoned for many years.

A whole generation, some of them vital to the country, were either killed or cowed into submission," says one observer. For much of the past 20 years, political life has been dominated by Mr Suharto's Government. Mr Suharto has ushered in an era of considerable economic development. The officially titled "Father of Development" has brought about rice self-sufficiency in a country that, until recently, was the world's largest rice importer.

Billions of dollars have been spent on a series of ambitious development projects throughout the archipelago. But Mr Suharto has presided over an increasingly centralised style of government, tightly controlled and obsessively secretive.

Stage-managed

Politics is carefully stage-managed. Successive elections are treated more as pro-Government displays than any test of popular will. Meanwhile, traditional concepts of Musyawarah and Mujakat (consultation and consensus) have been largely abandoned in favour of a strictly hierarchical system with the President at the apex of the centre of enormous power and influence.

Power and the ability to make decisions on all key issues rests in very few hands. Mr Suharto and his wife—a person of considerable influence in many sectors of Indonesian life—are surrounded by no more than a dozen trusted advisors.

Along with the president they supervise appointments, often to important posts. Ministers, officials, and preside over an extensive patronage system. The "inner circle" are almost all military figures who have proved their loyalty to the president over the years. Many have their roots in Central Java

The political system

Executive power rests with the President, who is elected to a five-year term by the People's Consultative Assembly, which meets to decide general policy and for Presidential elections.

Half its 820 members are appointed representing regional assemblies, political parties and other groups. The House of Representatives contributes the other 460 members of the assembly with 100 appointed members and 350 directly elected by citizens who are married or over age 17. The cabinet is appointed by and responsible to the President.

Date of last parliamentary election: May 1982. Majority party: Golkar (242 of the elected members of the House of Representatives). Date of last Presidential election: 10 March 1983 (President Suharto elected for his fourth term).

—the birth place of the Suhartos.

Actual implementation of power and control is carried out through the military, the bureaucracy and a plethora of Government-associated organisations. The military, with Mr Suharto as its Supreme Commander, remains the single most important and influential force in Indonesian political life. Through its dual fungsi or dual-function role, it holds many important administrative and business positions.

Almost all governors of the country's 27 provinces are military men. Senior positions in both state and private corporations are often held by the military. The armed forces have considerable clout in parliament where they represent about 25 per cent of membership. And while they are technically above party politics, they are encouraged to support the ruling Golkar Party.

Golkar was formed in the early 1970s as Mr Suharto's political machine. At the same time, several other parties, including the major Islamic organisations, were forced to unite into two groups. This had the effect of neutralising a great deal of their power and support.

Two years ago, Golkar embarked on a mass registration drive, aimed, it said, at



Indonesia's President Suharto—"the Smiling General"—centre, with Mrs Suharto, welcoming the Chinese Foreign Minister, Wu Xueqian, right, at a reception in Jakarta. Mr Suharto and his wife—a person of considerable influence in many sectors of national life—are surrounded by no more than a dozen trusted advisors.

making the organisation a truly grass roots movement. At the latest count it had 16,500,000 members, making it one of the largest political organisations in the world. Almost all Indonesia's 5m-strong bureaucracy are Golkar members.

Advancement in the public and private sector is often dependent on party membership. Government contracts are more likely to be given to companies that make substantial contributions to the party machine. The two other parties, the Muslim Development Unity Party (PPF) and the Indonesian Democratic Party (PDI) have watched their influence decline as they have been outmanoeuvred and rocked by internal strife.

At the last election in 1982, Golkar won 65 per cent of the vote. It has already said it hopes to win nearly 80 per cent of the vote at next year's "Feast of Democracy" as general elections are referred to by the local press.

Political control has also been brought about by a series of legislative moves. Legislation has been pushed through Parliament, obliging all organisations, from political parties to basketball teams, to adopt the state doctrine of Pancasila as their sole ideology.

Pancasila—which emphasises belief in God, humanitarianism, national unity, democracy and social justice—is seen by the Government as a vital means of preserving national unity. Critics accuse the government of using the vague tenets of Pancasila to impose a one-party state.

Muslim groups, in particular, have been hurt by the move; they can no longer legally use Islam as a political weapon. The PPF has even been forced to change its party symbol from the holy Ka'bah in Mecca to a more neutral and non-religious star.

There has been periodic outbreaks of opposition to the Suharto Government. But these moves have tended to have more reflections of unrest and displeasure among certain members of the elite than any real popular movement.

Recent events in the Philippines have caused some to draw parallels. Mr Suharto has been in power nearly as long as former President Marcos. His Government has also been tarnished by allegations of corruption. There have been incidents of vote-rigging in past elections. But there are important differences.

"There is not the widespread political consciousness

The high cost of corruption

At the higher level, a well-trenched and widely-used system of patronage and nepotism exists side by side with corruption.

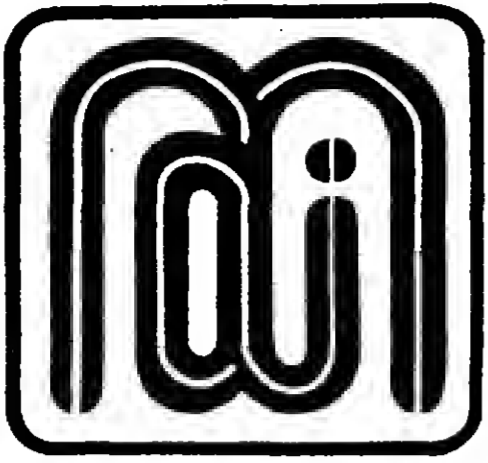
From the start of his time in office, President Suharto has rewarded those loyal to him with lucrative business licences, directorships and other official positions. Businessman Mr Liem Sioe Liong or the head of one of the country's biggest timber concerns, Mr Bob Hasan, have usually had close links with the President in the past.

The military, through its "dwi fungsi" or dual role in society, is engaged in a wide range of enterprises well outside barracks or the parade ground. Retiring generals might be given a coal mine or timber concession. As General Benny Murdani, the armed forces chief, said to visiting academics: "normally when people retire (from the army) they come to us and see what they can get in the way of business and normally people like this get first priority on government contracts and tenders."

"They can make US\$1m to \$2m on commissions and that sort of thing and put it in the bank and sit back for life..." The business dealings of the President's own family are a subject of endless speculation. Family interests range from LNG carriers to air charters, from oil support businesses to a football lottery.

Although often a central topic of business discussions in Indonesia, any public mention of such activities is likely to be viewed as lese majeste. In the early 70s people took to the streets to protest about the growing incidence of graft.

Kieran Cooke



INSINDO

PT. MASKAPAI ASURANSI INDONESIA

(INSURANCE SOCIETY "INDONESIA" LTD)

The Oldest Non-Life National Insurance Company in Indonesia

We underwrite all classes of non-life business with professional care

For your best protection please contact us

Head Office:

Jalan Sultan Hasanuddin 53-54
Kebayoran Baru, Jakarta 12160, Indonesia.
Phones: 710708 (3 lines), 717875.
Telex: 47290 MAI IA. P.O.Box 340. Cable: INSINDO.

Branches:

Spreading throughout 18 cities in Indonesia



ADVERTISEMENT

THE ROLE OF DANAREKSA

Indonesia's State Investment Trust Company

by J.A. Sereh, President Director, P.T. Danareksa

When talking of the future role of the Capital Market in helping to carry out the mobilisation of domestic sources of finance, I cannot divert myself from the aim and goal of the Government of Indonesia in revamping the Stock Market. This means opening up further growth of business and new industries. So it is just as right when the general public is given an opportunity to own, not to buy, but to invest in the Capital Market, which is of a destructive nature, but in ways acceptable to everyone. This could be among other things achieved through the Capital Market. Companies are provided with opportunities to sell part of their shares to the public, and conversely, the general public have an opportunity to purchase shares wherever they wish. This is progressing in our efforts to develop the economy in the direction as stipulated and required by article 33 of the Constitution of 1959 of the Republic of Indonesia. I invite entrepreneurs to develop the capital market together with the Government.

It is particularly for those whose income is limited but are willing to save, to be able to purchase shares or other securities, such as Danareksa Certificates and bonds. This is only logical, that having money and capital market since the enactment of law No. 15 of 1952, these have to be further developed in accordance with the prevailing condition and in tandem with the national development.

INVESTMENT TRUST

Danareksa is creating a separate market in back-to-back certificates and mutual funds which is spread throughout the archipelago. For the purpose Danareksa is given priority to buy at least 50% of the shares offered by companies in the capital market although there is no obligation on Danareksa's part to take the shares offered in total or in part. It should be noted though that decision to take a lower percentage of the shares offered is not automatically imply that a company is sound; neither should a purchase in excess of the above mentioned percentage be interpreted as a sign of an investor. There is a desire to act as a big brother nor is there need to offer a seat on the board of Directors. However, there is a responsibility to look after the back-to-back certificates holders and mutual fund investments. Companies should be aware that Danareksa's involvement is an important one and therefore should stay in close contact during the whole period of issue or offer in being disclosed.

designated by their head-office in Jakarta, as well as in the outer regions with a total of 300 offices act as agents, while there are also 31 sub agents, mostly private stockbrokers and/or private financial banks. On that the sales network for Danareksa certificates totals 424. This amount is divided by existing provinces makes approximately 18 sales outlets in each province to serve the investors.

As a broker, Danareksa is assigned to see to it that the share prices on the Exchange do not fluctuate too violently. If the share falls below our evaluation (real price), then we are expected to buy at a higher price. On the other hand, if someone speculates by selling at a very high price, then we call part of our stock at a lower price. In this connection, the following paper was very often pointed at as for keeping the prices too tight, as if not permitting occurrence of the price. In October 1982, due to world recession, the price of 23M oil prices, the devaluation of the Indonesian rupiah, many companies which have gone public show less profit. Probably because of this, the Government has issued a regulation which the price of shares could drop below its nominal value and Danareksa is thus released from its

task to stabilise prices of the Stock Exchange. Set only a few weeks after, Danareksa were requested to come in again only to buy the shares from small investors. The share prices have been going down since. Danareksa has an equity of only Rp 25.1 billion from the Government, but because we have paid a very good return, our assets have risen to Rp 222.7 billion.

NON-BANK FINANCIAL INSTITUTION
The Minister of Finance has appointed Danareksa as a non-bank financial institution. This allows us to be active in the money market as well. Danareksa is also acting as a manager in raising and marketing the issue. P. T. Danareksa, the National Investment Trust has acted lead underwriter in every issue because it has always taken a substantial portion of each equity being issued or taken. In the primary market we have raised a total, around 40% of the total issue of all shares listed and because we are very active in the secondary market at this moment we own 27% of all shares listed in the Stock Exchange.

UNDERWRITER
Danareksa also acts as endorser, adviser and leasing house to the Public Issue. Some very large companies appoint two or more lead underwriters who would jointly act as managers in raising and marketing the issue. P. T. Danareksa, the National Investment Trust has acted lead underwriter in every issue because it has always taken a substantial portion of each equity being issued or taken. In the primary market we have raised a total, around 40% of the total issue of all shares listed and because we are very active in the secondary market at this moment we own 27% of all shares listed in the Stock Exchange.

Islam emerges as growing focus

THE PLACE of Islam in Indonesian society has never been easy to understand, for all its 700-year presence. Outside its fundamentalist strongholds in northern Sumatra and Sulawesi, it has been practised mostly as a quiet, unostentatious faith, shielded from the doctrinal rigours associated with Saudi Arabia and, now, Iran.

Yet over 85 per cent of Indonesians are Muslims, a figure which makes Indonesian Muslims the most numerous on earth. More to the point, there is little doubt that the country is currently undergoing something of an Islamic revival.

The questions, therefore, are what sort of revival, who is driving it, and what are its implications for a country whose official doctrine, Pancasila, merely acknowledges Islam as one of a number of acceptable religions?

Some historical perspective is needed. Every regime in Indonesia, from the Dutch colonialists to the present day, has recognised the latent strength of Islam, sought to contain or neutralise it as a political force. The Dutch tried to domesticate it by creating new institutions, but ignored the "pesantren," the religious schools, which became, naturally, anti-Dutch. Both Presidents Sukarno and Suharto have tried to assign Islam to distinct, but minority, places in the political composition. President Suharto, in effect, amalgamated the Islamic political parties in the 1970s to increase his control over them. In most Indonesian elections over the past 30 years, the Islamic party voted, to the extent that it held anything, has held steady at about 30 per cent of the total.

In the past two years, sporadic violence, apparently connected to Islam, has visited Indonesia. The serious Tanjung Priok riots in the port of Jakarta in 1984 certainly started in a mosque, though whether provoked by the police or an ulama (preacher) is in dispute; the bombings last year of the great Buddhist monuments at Borobudur were ascribed to Islamic extremists, though proof is still lacking; some Iranian diplomats have been expelled for proselytising the word of the Ayatollah Khomeini.

There have been a number of "reason" trials involving Indonesian Muslims. The conviction of former General Dharsono once head of ASEAN last year was widely seen as a warning to the military from the Government not to associate with Islamic political groups, especially those of a radical nature.

Yet there is little doubt that the most significant political development concerning Islam in recent years took place in late 1984, when the largest Islamic organisation, the Nahdlatul Ulama, withdrew from formal politics.

Founded in 1926 at Dutch instigation, the NU is a conservative, but far from radical, social and educational organisation, drawing its main strength from the Javanese countryside. It boasts anything between 15-30m members and as a political party probably accounted for a solid 20 per cent of the vote in all Indonesia's post-independence elections.

Viewpoints

The Indonesian Government was delighted at the NU decision, which it hailed publicly as a recognition by the UN of the overriding merits of the state Pancasila doctrine and privately as a political capitulation by the largest Islamic grouping to the power of Golkar, the government party.

This, however, is far from the NU view. The architect of its decision was Abdurrahman Wahid, chairman of its national board. The 45-year-old grandson of one of the NU's founders, Mr Wahid is an Islamic scholar, educated at universities in Cairo and Baghdad, with a sophisticated, catholic turn of mind and a disarming sense of humour.

There is also widespread agreement, inside and outside the NU, that Mr Wahid is a politician to his finger tips. Thus it appears that the NU's purpose in withdrawing from formal politics was not to retreat into a religious shell, but to rebuild its grass roots organisation, free of government surveillance, so as, in time, to make itself into an even more effective force in the land.

Mr Wahid is known to believe that the NU was constrained by its political persona, and, the consensus needs to focus on

the issues of state in which Islam is interested. The policy now is to deploy thousands of NU community workers throughout the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian, such as education, land rights, legal services and so on.

Abdurrahman Wahid declares no vision of an Islamic state, either in the Indonesian context or along Saudi, Iranian or even modified Malaysian lines (indeed, he is critical of the policies of the current Malaysian government in this respect). He does not shy away from being described as an accommodationist and preaches the doctrines of non-violence and inter-religious tolerance without qualification.

Others agree that Islam in Indonesia is experiencing a marked revival, is no longer the preserve of the old, and that the NU may have positioned itself better than its radical Muslim rivals to reap the benefit.

Mr Slamet Bratanata, a former minister and now a prominent member of the informal association of government critics known as the "group of fifty," argues that, especially for the young, Islam is filling a social void left vacant, he charges, by the regime. The mosque is becoming an increasingly important focus of social and recreational, as well as religious, activities; the mere fact that it is "fashionable, respectable and integrated" will, he suggests, make it less fertile ground for Muslim extremists, even though "fanatical Islam" will always exist, even in Indonesia.

Mr Bratanata adds that the rising generation of military leaders, who will undoubtedly shape the country's future in one way or another, are noticeably more "comfortable" with Islam. This stands in contrast with President Suharto and many of his present military advisers, who, he says, either come from the Javanese "mythic" school or see Islam, conventionally, as a political threat in need of containment.

Nevertheless, Mr Bratanata warns, it will not be enough if Abdurrahman Wahid and the NU are content with being merely "holy men." Indonesians have come to expect at least some results, be it in patronage,



Muslim girl students on their way to classes in Jakarta. More than 85 per cent of Indonesia's population of 165m are followers of Islam.

employment or some other form of practical assistance. He feels that Golkar, the Government's political organisation, is inherently weak and its ability to deliver, as it has over the years, a modicum of rewards, will decline as the economy lapses. But Islam will have to offer something concrete as an alternative.

Professor William Liddle, the US academic expert on Indonesian politics and society, who is spending this year in the Muslim stronghold of Banda Aceh in northern Sumatra, is more sceptical of the ability of Islam to fill Golkar's shoes. He doubts that Muslims will ever become a "political" majority in Indonesia and, unlike Mr Bratanata, sees little evidence that the young Muslim military officers have any interest in a wider role in the country for Islam.

Introvverted

Both men also believe that Abdurrahman Wahid himself is placing too much store by the relationships and accommodations he is endeavouring to make with the civilian and military authorities. They do not question his skills in this respect, but wonder about the lengths they can take him and his organisation.

In common with the predominant national characteristic, Indonesian Islam is quite inward-looking and appears so far largely indifferent to the arguments about the role of Islam and the state that dominate external debate.

This insulation may be in the process of some change. Mr Wahid himself is encouraging exchanges of views with Muslims from other nations on the great global issues and only

Islam entered Indonesia through the province of Aceh in Sumatra. Its people are still the most fervent Muslims in the country, as Jurek Martin reports here.

Stronghold of tradition

THE PROVINCE of Aceh, on the northern tip of the island of Sumatra, has always been different. If there is one constant strain in Aceh's recorded history—from the visit of Marco Polo in 1292, through the savage war waged against the Dutch 100 years ago, to the delicate approach now employed by the Indonesian Government in Jakarta—it is that it is ill-advised to mess around with the Acehnese, the most fervent Muslims in the country.

There is one very contemporary and intriguing example. Indonesia, as a nation, was distressed by the poor performance of its athletes in the Asian Games. Jakarta's diagnosis was that inadequate training facilities were a prime factor and that funds were needed for them. The solution, said to be the brainchild of Mr Sigit Suharto, son of the president, was "porcas," a football lottery.

It was, and is, a controversial scheme, because gambling is widely considered un-Islamic. Local authorities in at least two provinces have refused to allow it to be introduced. In Aceh, however, it is hardly even mentioned.

Mr Hadi Thayeb, the Governor, explains that the province's Majelis Ulama (Islamic council) declined to rule on its propriety, but has referred the matter to the national Majelis. If it were to determine that "porcas" does not contravene the tenets of Islam, then perhaps—but only perhaps—it will come to Aceh.

Mr Bratanata notes, too, that recently there has been considerable growth in the publication of books, in Indonesian, about foreign views on Islam. Professor Liddle adds, however, that not all the literature now being circulated inside the country is necessarily benign and that the works of revolutionary Muslim authors, including some from Iran, are freely doing the rounds in intellectual circles.

From the standpoint of Government foreign policy, however, Islam does not yet loom as a major factor. Indonesia has not seen fit, for example, to establish diplomatic relations with Israel. There was some acrimony inside the Foreign Ministry to do so in the wake of the Camp David agreements, largely because Indonesia's closest connection in the Muslim world is probably with Egypt, but it never came to pass. Indonesia enjoys relations with both Iran and Iraq, but has avoided mediation and any expression of preference in their conflict.

The next few years are likely to prove crucial in the evolution of the relations between church and state in Indonesia. The Government and the balance of the military seem still broadly intent on depoliticising religion, while the mainstream Muslims, like the NU, are embarking on a course which could lead to political revitalisation.

In the meantime, accommodation, uneasy at times, holds sway.

The Shariah

In other words, there is no chance of the Government forcing on the Acehnese what they do not want: it will only come through religious sanction.

Aceh is, along with the historical city of Jogjakarta, one of two specially designated administrative regions in Indonesia. This means that Islamic law (the shariah) is applied more often than not, Governor Thayeb argues that this is not inconsistent with a national policy. Indonesia, he says, acknowledges the place of "customary law" which, in Aceh, happens to be Islamic. In practice, if a judge has to decide a land dispute, then he will consider both national and customary law in making a ruling.

Mr Thayeb speaks with unusual authority on the role of Islam. He has been governor

for nearly four years and before that was Indonesian Ambassador in Saudi Arabia, where the shariah is the only law.

The differences he finds is that the Islam practised in Aceh, even though stricter than in the rest of Indonesia, is not as rigid as the Wahhabist school of Saudi Arabia (women are not as circumscribed in what they may and may not do in Aceh). Moreover, the Acehnese "do not forget that we are part of a greater entity, the country of Indonesia."

The brief impressions of a visitor bear out the governor's contentions. Banda Aceh, the capital, is dominated by a magnificent Moorish mosque built by the Dutch at the turn of the century, and the calls to prayer are ubiquitous (there is one Catholic and one Protestant church in the city).

The sale of beer is not advertised but is discreetly available. Women dress more modestly than in Jakarta, but the veil is the exception, not the rule. A fair share of the scooters around town are ridden by young women.

Evening life in the markets and warungs (food stalls) is lively and boisterous. Like everywhere else in the nation, cinemas show bad, invariably violent and soft porn movies. But modern reality has to be squared with Aceh's history. As Governor Thayeb concedes: "Hundreds of years of fighting and infighting against the Dutch, the British, the Japanese and even against our own government has created a certain mental attitude of introversion."

Islam entered what is now Indonesia through Aceh with Arab traders before Marco Polo's visit. He found an Islamic sultanate already established. By the 17th century, the height of the kingdom of Aceh's power, its fighting prowess was known throughout Sumatra and the Malaccan straits.

The Dutch colonial regime sought to bring Aceh to heel in the 1870s and 1890s in a war which, by Dutch reckoning, cost 250,000 lives but which the Acehnese say saw 3m people killed. Perhaps because of this, in the Indonesian struggle for independence, in the late 1940s, Dutch forces left Aceh well alone.

It is not known how many "communists" were killed in

Aceh in the pogrom following the 1965 abortive coup, but many Chinese who were implicated fled south to Medan. In 1976, a secessionist movement led by Hassan Tiro, an Indonesian diplomat at the UN with strong Aceh family connections, was short-lived and rigorously repressed. But it did apparently ignite some local disaffection with the Javanese, who were freely portrayed as "the new Dutch" colonialists.

A similar, albeit muted, strain of criticism lives on today because Aceh is, like the Islamic Gulf, a major oil and gas producing region. In fact Royal Dutch Shell's first oil well was found in Aceh in the last century. Today, the action has shifted to the southern provincial city of Lhokseumawe, site of the natural gas fields being developed by the Indonesian Government and Mobil Oil.

The city has seen its population double to about 600,000 in the past four years alone, with the inevitable conflict between traditional and imported values. Banda Aceh, the capital, has in contrast become "very quiet, rather like Bern," according to Governor Thayeb.

Complaints

But the local population is also complaining that too little of the oil and gas wealth is staying in Aceh, while it is the Javanese, not the Acehnese, who are getting the best jobs. The governor again concedes a problem, but argues that oil and gas are a national resource and that some skills may have to be imported, if not locally available.

Aceh's history, however, probably means that Jakarta will be attentive to local discontent, but through administrative rather than political channels.

Professor William Liddle of Ohio State University, an expert on Indonesian political and social development, is spending this year in Banda Aceh training social scientists. He argues that it is possible to over-emphasise Aceh's separation from the rest of the country, its distinctive language, religious traditions and historical independence notwithstanding. "Aceh may be at the end of Indonesia, but it is unlike Irianjaya and East Timor which are, quite literally, at the end of the world," he says.

Jurek Martin



The Chase Partnership at work. Chase EVP Jim Carey, Corporate Banking Executive (Center) discussing financing strategies with Chase Petroleum Executives. From left to right, Jim Barfo, Charles Bucco, Bob Weaver, (Carey), Jim Aderson and Chase Capital Markets Executive Bob Lichten.

The Chase Partnership. It's what makes us the Global Energy Bank.

For forty-eight years our petroleum bankers have focused the enormous resources of The Chase Manhattan Bank on the financial needs of the petroleum industry. Our continuity of staff, depth of industry knowledge and worldwide organization is unique in petroleum banking.

Your Chase Relationship Manager works in partnership with you within Chase to deliver industry-dedicated banking resources such as petroleum engineering, energy economics, merchant banking or global operations expertise — wherever in the world there is a need.

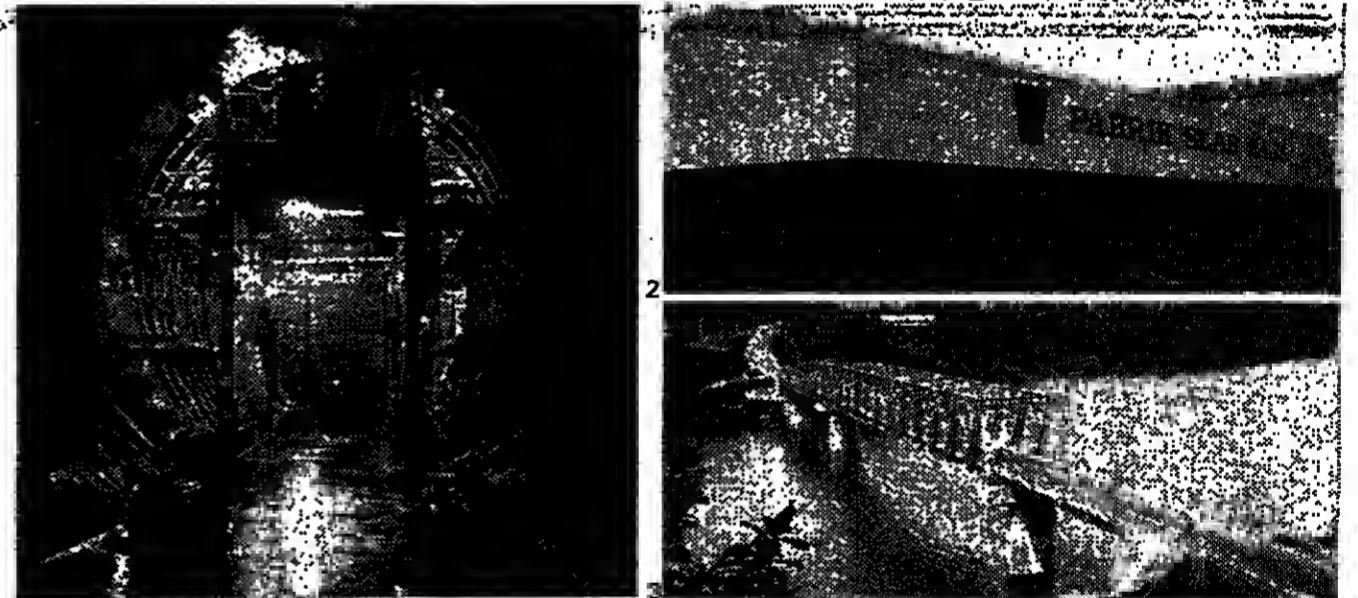
No wonder, according to *EuroMoney* magazine, Chase is "The top lead manager, in both number and volume of loans, for the oil sector."

The Chase Partnership



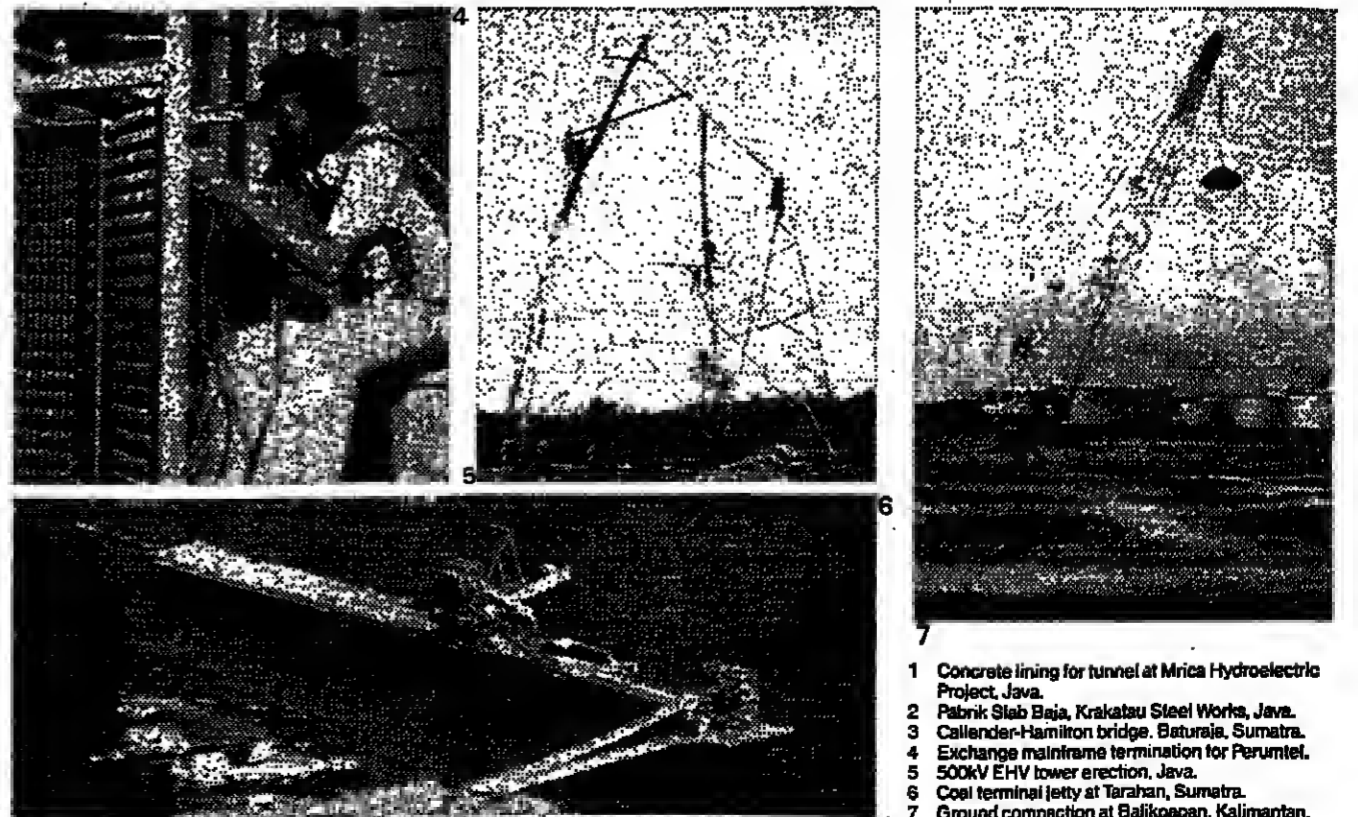
Global Network Electronic Banking Investment Banking Industry Understanding
Treasury Expertise People

CH5584



Balfour Beatty

Working in Indonesia in industry, agriculture, power, transportation & water... for people



- 1 Concrete lining for tunnel at Mrica Hydroelectric Project, Java
- 2 Patvik Steel Bridge, Krakatau Steel Works, Java
- 3 Callender-Hamilton bridge, Batavia, Sumatra
- 4 Exchange mainframe termination for Perumtel
- 5 500KV EHV tower erection, Java
- 6 Coal terminal jetty at Tarahan, Sumatra
- 7 Ground compaction at Balikpapan, Kalimantan



Balfour Beatty

Balfour Beatty Limited
7 Mayday Road, Thornton Heath, Surrey CR4 7XA, England
Telephone: 01-884 6922 Telex 264042 & 8951968
The International Engineering and Construction Group



Armed Forces

Alain Cass examines the generals' dominant role in the nation's political life
Military elite calls the tune

INDONESIAN GENERALS, unlike their counterparts in, say, Pakistan or Thailand, are not coy about their central role in governing the country. The army dominates Indonesian politics, has done so for more than 20 years, and is likely to go on doing so for the foreseeable future.

On the contrary, far from seeking to camouflage their dominant role the Indonesian armed forces maintain that they not only have a right but a duty to guide the country's destiny as well as maintain order and protect its borders. It is, in many ways, an unique example of military power institutionalised in civilian government.

The army derives its legitimacy in government from its decisive role in the fight for independence against Dutch colonial rule which ended in 1945. The armed forces were

also for many years, the prime source of trained leadership and administrative power as Indonesia struggled to develop its backward economy before years of the oil boom.

The armed forces' dominance has steadily increased over the years as the doctrine of *Destak* held and the number of serving and retired officers appointed to top jobs in government, the civil service and industry has grown.

Today that dominance is ubiquitous. The president is a general, or is the vice president. Fifteen out of 37 serving ministers are serving or retired military officers. Nearly half Indonesia's ambassadors, more than two-thirds of the regional governors, one third of the country's mayors and over half the district heads (*bupati*) are

also military men.

Seconded or retired senior officers have also been placed in charge of dozens of companies in the state and private sector as a reward for services rendered. Retired officers also sometimes get first refusal on major government tenders and can, as one senior general admitted, "make \$1m or \$2m, put the money in the bank and retire for life."

Over the years this complex patronage has allowed President Suharto to extend and defend his power base, promote loyal officers, shunt aside potential enemies or rivals and move from being *primus inter pares* to dominate a pyramid of which the majority of building blocks are army officers.

Through this system President Suharto's influence reaches down into every government

department, every military unit, every state-run corporation, even every village. President Suharto has also astutely used the hierarchical and paternalistic nature of Indonesian and especially Javanese society to reinforce his hold over the country and its institutions.

Not everyone, however, has been happy with this oligarchic way of running the country, not even within the armed forces which have benefited most from the experience.

In an impressive analysis of Indonesia's military elite, journalist, David Jenkins, catalogues the differing views within the armed forces towards what should be the army's role in developing the nation.

The book, Suharto and his Generals: Indonesian Military Politics 1973-1983, identifies two distinct schools of thought.

The first, what he describes as "the leadership group," is a tightly-knit and extraordinarily powerful group centred on the President, has been broadly committed to a system it helped to create and in which its members have enjoyed enormous influence and privilege.

The second, which includes a number of prominent serving and retired officers, takes a more enlightened view believing that, as time passes, the army should yield up more and more of its powers to Indonesia's civilian population.

Nobody, according to Jenkins, has gone so far as to threaten the stability or security of President Suharto's government. Neither does anyone in the armed forces question the role of *Dwi-Fungsi*. But a significant minority, including men like General Abdul Haris Nasution, former army chief and defence minister, and Lt Gen H. R. Dharsono, recently sentenced to 10 years' imprisonment or his dissent views, believe the system has gone too far.



Gen Benny Murdani, above, the armed forces chief. Below, troops being inspected in Sumatra. Reforms are under way to create a leaner, more cohesive fighting machine.



ARMED FORCES' NEW LOOK

EVER SINCE the abortive coup of 1966—a seminal event in Indonesia's modern history—Abri (the armed forces) have gone in for periodic shake-ups to tone themselves up, make themselves more efficient and, one suspects, to get rid of officers who do not see eye to eye with the regime.

In the latest of these, General Benny Murdani, the armed forces chief, has launched a series of reforms widely admired by foreign military observers who believe they will create a leaner and more cohesive fighting machine.

A highly capable staff officer with a reputation for being blunt, decisive, aggressive and demanding of his junior officers, Murdani has attacked the Indonesian defence organisation with gusto. Believing in the upper levels with too many separate commands leading to conflicting interests, he launched his reorganisation plan in March 1984 and aims to have it completed later this year.

His main aims are to rationalise the command structure and institute fundamental re-

forms within each of the three services. He has centred on honing a relatively small force of 20 battalions, organised into two divisions based in Java and Sumatra. This will complement Kostrad, the Strategic Reserve Command, a 19,000-man elite force, reputed to be the regime's praetorian guard.

Both forces are being fashioned to serve Indonesia's new defence concept of defending the country at its borders. This requires relatively small, highly mobile forces, able to respond quickly to external threats.

The remainder of the army will retain its traditional, territorial role of ensuring internal security in Indonesia's far-flung archipelago.

Indonesia's navy and air force, on the other hand, have lost their traditional territorial function and are being reorganised, in line with the army's elite units, into quick-response forces able to fight a war along Indonesia's perimeter.

Growing market for arms suppliers

FOR AN ARMY with so much political clout the Indonesian armed forces are surprisingly modest in their shopping habits. A prolonged downturn in the country's oil-based economy which has meant that there is less money available for arms purchases than the military would like is the first reason. The second is that identifiable short-term external threats are few.

The prime concern of the Indonesian armed forces (Abri) is the maintenance of internal security and order in the archipelago, which comprises 13,000 islands and extends over an area the width of the US.

The sophisticated weapons which the Indonesians have acquired conform to Abri's newly-developed doctrine of a highly-mobile force, using carefully-selected equipment to defend this vast country along its borders.

Some of the armed forces' needs are being met by Indonesia's own fledgling defence industry. This includes 57-metre and 23-metre fast patrol boats manufactured under licence of the PT Pal shipyards in Surabaya; French-designed Puma and Superpuma helicopters assembled at IPTN (formerly PT Nurtanio) in Bandung and a wide range of small arms, artillery and ammunition produced by PT Pindad also at Bandung in West Java. In time Dr Yusuf Habibie, Minister of Technology and the man in charge of the country's defence companies, wants Indonesia to be self-sufficient in these items.

For the foreseeable future, however, Indonesia will be looking abroad for its more sophisticated needs. Earlier this year it was decided to order eight advanced F16/100 fighter aircraft from the US at a cost of between \$13m-\$25m each, depending on the training, technical assistance, armaments and avionics provided. The deal has been given White House approval but has yet to pass in Congress.

The F16s—Indonesia wants a full squadron of 36—will replace the existing A4 Skyhawk and F5 Tigers. Negotiations are continuing with Britain, meanwhile, for the sale of an undisclosed number of the British Aerospace Hawk single-seater fighter as part of the country's policy of diversification.

Hawk trainers

Indonesia has become an important market for British defence items. Last year BAe sold 20 Hawk trainers to the air force while, last December, Britain coincided a \$120m deal with the Indonesian army to provide units of the Rapier missile system. A similar contract was signed at the end of 1984 for the Rapier.

Talks are also continuing for the possible purchase of up to 600 Scorpion light tanks. Dr Habibie is looking for a collaborative venture with Alvis of the UK to manufacture the Scorpion. Dr Habibie has confirmed that he is still interested in the deal, but diplomats doubt whether Indonesia has the funds for such a venture at the moment.

Indonesia also needs larger ships which it cannot manufacture itself, including submarines and frigates. It is negotiating with Britain for the purchase of three Tribal-class frigates, and has purchased four destroyers of Dutch origin. Discussions are under way with West Germany about the purchase of three 209 class 1300 submarines—the US and Argentina, for the purchase of larger vessels.

One of Indonesia's most urgent needs is for adequate ground and airborne radar equipment to cover its vast territory. It has already acquired three Boeing 737s with sideways-looking SLAMMR multi-mission radar. The air force wants more and there is intense competition between Dr Habibie, who wants Indonesian-built CN235 transport aircraft to be used, and defence chiefs who prefer to acquire further Boeing 737s.

Indonesia is also looking for a major ground radar network for the country's archipelago to complement its existing French-built Thomson CSF TRS-2215 and 2230 network in the west. Some diplomats claim there is considerable dissatisfaction with the performance of the French system as well as the minimal degree of training and technology transfer provided.

Major hinders for the new system include Hughes, General Electric, ITT and Westinghouse of the US, Plessey and Decca Command and the regime's Navigation of the UK, Thomson of France and an Italian consortium.

Indonesia is also said to be interested in jamming and counter jamming equipment, radar simulators and a production agreement with France to manufacture the Exocet missile with which the navy's South Korean-built fast attack craft are already equipped.

Army has dual role in business world

The manner in which the regime dealt with Lt-Gen. Dharsono, who reportedly distinctly moderate strain of opposition to President Suharto's New Order regime, also suggests that, while the ruling group will bend to the prevailing wind if it blows hard enough, it will not tolerate what it regards as disloyalty to the army and therefore the state's corporate beliefs.

reforms within each of the three services. He has centred on honing a relatively small force of 20 battalions, organised into two divisions based in Java and Sumatra. This will complement Kostrad, the Strategic Reserve Command, a 19,000-man elite force, reputed to be the regime's praetorian guard.

Both forces are being fashioned to serve Indonesia's new defence concept of defending the country at its borders. This requires relatively small, highly mobile forces, able to respond quickly to external threats.

The remainder of the army will retain its traditional, territorial role of ensuring internal security in Indonesia's far-flung archipelago.

Indonesia's navy and air force, on the other hand, have lost their traditional territorial function and are being reorganised, in line with the army's elite units, into quick-response forces able to fight a war along Indonesia's perimeter.

reforms within each of the three services. He has centred on honing a relatively small force of 20 battalions, organised into two divisions based in Java and Sumatra. This will complement Kostrad, the Strategic Reserve Command, a 19,000-man elite force, reputed to be the regime's praetorian guard.

Both forces are being fashioned to serve Indonesia's new defence concept of defending the country at its borders. This requires relatively small, highly mobile forces, able to respond quickly to external threats.

The remainder of the army will retain its traditional, territorial role of ensuring internal security in Indonesia's far-flung archipelago.

Indonesia's navy and air force, on the other hand, have lost their traditional territorial function and are being reorganised, in line with the army's elite units, into quick-response forces able to fight a war along Indonesia's perimeter.

reforms within each of the three services. He has centred on honing a relatively small force of 20 battalions, organised into two divisions based in Java and Sumatra. This will complement Kostrad, the Strategic Reserve Command, a 19,000-man elite force, reputed to be the regime's praetorian guard.

Both forces are being fashioned to serve Indonesia's new defence concept of defending the country at its borders. This requires relatively small, highly mobile forces, able to respond quickly to external threats.

The remainder of the army will retain its traditional, territorial role of ensuring internal security in Indonesia's far-flung archipelago.

Indonesia's navy and air force, on the other hand, have lost their traditional territorial function and are being reorganised, in line with the army's elite units, into quick-response forces able to fight a war along Indonesia's perimeter.

reforms within each of the three services. He has centred on honing a relatively small force of 20 battalions, organised into two divisions based in Java and Sumatra. This will complement Kostrad, the Strategic Reserve Command, a 19,000-man elite force, reputed to be the regime's praetorian guard.

Both forces are being fashioned to serve Indonesia's new defence concept of defending the country at its borders. This requires relatively small, highly mobile forces, able to respond quickly to external threats.

The remainder of the army will retain its traditional, territorial role of ensuring internal security in Indonesia's far-flung archipelago.

Indonesia's navy and air force, on the other hand, have lost their traditional territorial function and are being reorganised, in line with the army's elite units, into quick-response forces able to fight a war along Indonesia's perimeter.

reforms within each of the three services. He has centred on honing a relatively small force of 20 battalions, organised into two divisions based in Java and Sumatra. This will complement Kostrad, the Strategic Reserve Command, a 19,000-man elite force, reputed to be the regime's praetorian guard.

Both forces are being fashioned to serve Indonesia's new defence concept of defending the country at its borders. This requires relatively small, highly mobile forces, able to respond quickly to external threats.

The remainder of the army will retain its traditional, territorial role of ensuring internal security in Indonesia's far-flung archipelago.

Indonesia's navy and air force, on the other hand, have lost their traditional territorial function and are being reorganised, in line with the army's elite units, into quick-response forces able to fight a war along Indonesia's perimeter.

P.T. INTER-PACIFIC FINANCIAL CORPORATION
(A Merchant/Investment Banking Institution since 1973)

... as intermediary, agent & trustee for loans & investments
... financing & money market activities
... participating in capital/equity
... managing, underwriting & selling stocks & bonds
... providing corporate advisory services

Operating Result of Inter-Pacific (in million Rupiah)	
31 March 85 (unaudited)	31 Dec 84 (audited)
Profit before tax	1,204
Profit after tax	851
Shareholders' equity	6,320
Total assets	165,928

A JOINT VENTURE OF BANK RAKYAT INDONESIA, JAKARTA • THE SANWA BANK LTD, OSAKA
• CREDIT COMMERCIAL DE FRANCE, S.A. PARIS.
Wisma Antara, 11th Fl., Jalan Medan Merdeka Selatan 17, Jakarta, Indonesia.
P.O. Box 3214/Jkt. Telex: 46289 lpfic jkt. Cable: Interpacific. Telephone: 346745, 347735

P.T. TATA WISATA
ONSHORE/OFFSHORE CATERING & SUPPLIES

The forerunner of a national Catering Company with 10 years experience, onshore as well as offshore operation, having a list of clients such as:

- ATLANTIC RICHFIELD INDONESIA INC.
- INDONESIAN CITIES SERVICE, INC.
- AMOSEAS INDONESIA, INC.
- SANTA FEE INTERNATIONAL, INC.
- DOLPHIN INTERNATIONAL S.A.
- BOC SUB OCEAN SERVICES
- ZAPATA NORTH SEA, INC.
- IAPCO DIVISION OF NATOMAS INTERNATIONAL CO.
- PT. OGSPIRAS BINA DRILLING UNION GEOTHERMAL
- PT. BESSINDO

Head office:
P.T. TATA WISATA
Jl. Iskondaryah Raya No. 1
Kabayoran Baru
Jakarta Selatan - INDONESIA
Phone 737473 (3 lines)
Telex: 47331 TATA IA.

P.T. SUPERINTENDING COMPANY OF INDONESIA (SUCOFINDO)
Offers You a Wide Range of Independent Services to Protect Your Interest

- CARGO SUPERINTENDENCE & INSPECTION**
Supervision of loading/Discharge, Operations, Weight Ascertainment Tally/Tally Control, Quality Inspections. Quality analysis, etc.
- COLLATERAL MANAGEMENT**
Inspections of Storage Spaces, Collaterals Protection Service for Bankers, Stock Control, Field Warehousing
- FUMIGATION & INDUSTRIAL HYGIENE SERVICES**
Infestation Control, Fumigation, Cleanliness Services of Plants.
- NDT & INDUSTRIAL ENGINEERING**
Non Destructive Testing, Industrial Engineering Services, Marine Engineering Service.
- EXPLORATION GEOTECHNICAL**
Professional study and sophisticated testing investigation provide comprehensive technical data of the soil structure and mechanism as well as of the underground water condition proposed site of high rise buildings, dams, air fields, ports, plants, power canals, hydropower stations, road and pipe line locations.
- ANALYTICAL LABORATORY**
Physical and Chemical Analysis of Commodity & Various Materials.
- TECHNICAL CONSULTANCY**
Environmental impact studies, etc.
- SUCOFINDO - REDWOOD PETROLEUM & PETROCHEMICAL**
Crude Cargo Control Service, Measurement Service, metrology, Laboratory Control Service, Combined and Other Services.
- APPRAISAL SERVICE FOR**
Land and Site Improvement, Buildings, Machinery, Intangibles, Assets etc.

P.T. SUPERINTENDING COMPANY OF INDONESIA
102, Let. Jen. S. Parman, Grogol, Jakarta Barat
P.O. BOX 2377, Phone 598111 (4 Lines) Cable: SUCOFINDO
Correspondents of the worldwide surveyors Society Generale de Surveillance S.A. Geneva, Switzerland

Indonesia's relations with the US and Japan have improved, but links with Vietnam loom large, as Jurek Martin reports here.

A new interest in the world outside

TWO YEARS AGO, President Ronald Reagan abruptly cancelled a South East Asian tour, which was to have included Indonesia, because a visit to the Philippines was deemed unsafe, impolitic or both. However, in a few weeks' time, the US President will stop over for a rest in Bali, en route to the Tokyo economic summit.

President Suharto will confer with him there and Indonesian pride—denied by Mr Reagan's non-appearance in 1983, as well as by a couple of other perceived US slights—will have been assuaged, at least in part.

It is perhaps a commentary on the generally uneventful course of Indonesian foreign policy under President Suharto that even a fleeting US presidential visit should be considered of such moment.

Under his predecessor, President Sukarno, foreign policy often seemed an eternal adventure, as the country sought to establish itself in the world after independence, as it associated itself with the birth and even leadership of the non-aligned movement, and as it annexed East Java, confronted Malaysia, and flirted, successively, with the Soviet Union and China.

Curiously, however, it is the widespread view among both Indonesian and external foreign policy analysts that the core of Indonesian policy to the rest of the world has not changed that much in substance between the two presidents. The stylistic difference has, of course, been vast between the flamboyant Sukarno and the much more diffident Suharto, whose experience in international affairs was minimal before he took power and whose interests appear to have developed only in the past few years.

For the most part, President Suharto has been content to delegate the running of foreign policy to a succession of able technocrats, such as the present Foreign Minister, Dr Mochtar Kusumatmadja.

Although Indonesian officials, naturally, refuse to admit as much, this probably reflects the fact that foreign policy still takes second place to domestic affairs in the eyes of the President's inner circle and those in senior positions in the military.

Of late, however, there have been signs of greater personal interest on the part of the President. In 1987, for example, he made an extended European trip last year, a

removal of President Marcos in the Philippines could cause some anxious soul searching in Jakarta about the real nature of US resolve to help its "friends."

But if Indonesia's basic foreign policy approach has changed little, the world around it has not been static. The emergence of China from its long period of isolation creates particular problems for Indonesia, which still sees a Chinese hand in the abortive 1965 coup and whose military leaders still believe that China constitutes the greatest threat to regional stability.

It was, therefore, with mixed feelings that Indonesia received the Chinese Foreign Minister, Wu Xue Qian, at the Bandung celebrations last year. Even though his formal session with President Suharto was reportedly perfunctory, his presence, the first by a Chinese minister in 20 years, was something of a shock to the Indonesian psyche.

But these moves have been for the most part cautious and in no fundamental sense breaking with the traditional mould of foreign policy. This remains the continuation of Indonesia's non-aligned status, the preservation of the integrity of the archipelago, and the development of regional relationships, such as the Association of South East Asian Nations (ASEAN), which remains more of an economic entity than a political force.

In sum, Indonesia still does not much like foreign entanglements and initiatives.

Human rights

There have, inevitably, been some tiffs in Indonesian foreign policy in the past 20 years. Relations with the US and Japan have generally improved, not least because the post-1975 ascendancy of Vietnam in Indonesia has, as Michael Leflar of the LSE has pointed out, "reinforced a strategic dependence on the United States."

From an Indonesian official perspective, the Reagan Administration has been an improvement on that of President Carter, because of its harder anti-communist line and its less vocal human rights policies. However, US confidence in the



President Reagan: he and President Suharto will confer soon in Bali

have long been sympathetic to Vietnamese nationalism, not least because a stable, independent Vietnam could serve as a buffer against the Chinese threat and thus promote Indonesia's security interests. Indeed, both Vietnam and the US loom large as complementary elements in the military's regional assessment.

New markets

Indeed, the commercial imperative for Indonesia is now such that it must seek markets it previously could ignore, which includes China and the Eastern European bloc, as well as Vietnam.

The greater involvement of both the Indonesian Foreign Ministry and its military with Vietnam has created some misgivings inside ASEAN—and not merely from a country like Thailand which is most exposed to the Kampuchean issue, but also from the most critical of Vietnam's policies. Over the years, Indonesia has been careful not to throw its undoubted weight around inside ASEAN as its largest, most powerful member. Some other nations appear concerned that this deferential approach may be coming to an end.

If so, that would mark a significant departure from Indonesian foreign policy norms, it is widely believed, for example, that a principal reason for Prime Minister Ghandi's non-attendance at the Bandung celebration last year was Indian frustration at Indonesia's parochialism and disinclination to assume any form of leadership role.

The Japanese connection

IN JAKARTA, Mr Hedi Soesastro, of the influential, military-connected Centre for Strategic and International Studies, adopted an air of resignation. "Overall, our relationship with Japan has lost its excitement," he commented. "From an Indonesian point of view, it seems that Japan has become irrelevant, which it should not be."

In Tokyo, a senior official at the Japanese Foreign Ministry surprisingly takes a similar line. Having carefully run through the complex web of commercial ties between the two countries and having taken note of historical and cultural similarities, he, too, adds that "Indonesia's leaders, especially in the military, are now much closer to the US, Japan is now just one of many countries politically, as far as Indonesia is concerned."

There is no overweening crisis in the bilateral relationship at present, beyond the perennial Indonesian concern that Japan, in diversifying its sources of raw material supplies, might become a less avid buyer of Indonesian oil and other commodities. Nor is there the palpable tension between the two that was evident, for example, in 1974 when serious anti-Japanese riots broke out in Indonesia on the occasion of former Prime Minister Tanaka's official visit.

Indeed, at a government-to-government level, relations are cordial and correct, while, less excitedly, Japanese tourists are discovering the delights of Indonesia, especially Bali, in ever-increasing droves.

The ties that do bind the two nations remain considerable. Japan buys half Indonesia's oil output and 80 per cent of its liquefied natural gas. Indonesia is easily the biggest shipper of plywood to Japan, increasing exports by five fold in 1984 and three fold last year.

Only the US ranks above Indonesia as a site for Japanese foreign capital investment and so foreign country has invested anything approaching \$3.14bn that the Japanese private sector has sunk in, if oil is excluded.

This total, the sum of 212 individual projects, comprises about one-third of non-oil foreign investment in Indonesia over that span.

Additionally, Indonesia is comfortably the largest individual recipient of official Japanese foreign aid, and

JAPANESE PROJECTS

Year	Number	Amount (\$m)
1970	28	36
1971	25	115
1972	21	77
1973	44	249
1974	33	447
1975	26	938
1976	6	30
1977	7	22
1978	28	31
1979	2	12
1980	5	30
1981	5	76
1982	11	522
1983	12	458
1984	2	31
1985	9	63

Source: Investment Co-ordinating Board (BKPM)

Japanese banks are leaders in providing credits to Indonesia. The connection goes beyond the merely commercial. An anthropologist could not fail to be struck by the many similarities between the Japanese and Indonesian, especially Javanese, peoples. They have in common a rice-growing heritage, a social preference for identification by group, rather than individualism, and languages rich in direction and nuance. Even national tastes in cultural fields as disparate as textile design and traditional dance and music are remarkably close for nations 3,000 miles apart.

Violence

Though apparently peaceful societies, both have shown occasional proclivities for great acts of violence and cruelty (Japan in the last war, Indonesia in the anti-communist pogrom after the abortive 1965 coup in which several hundreds of thousands were slaughtered).

Japan, of course, occupied Indonesia in the last war and sought, with some initial success, to develop the indigenous burgeoning sentiment against Dutch colonialism. Many young Indonesian nationalists received Japanese military training and education.

Even after the war, in an act of reparation, thousands of young Indonesians were offered schooling in Japan.

dyling out with the passage of neither would be easy to implement. They have long since been replaced by US influence, for most of the current generation of Indonesian military leaders and government technocrats have acquired their skills either at home or in the US, or both, to the point where Berkeley and West Point "mafias" abound in Jakarta.

There is today no comparable Japanese equivalent. The legacy of the last war has made Indonesia as sensitive to suggestions of renewed Japanese militarism as any other conquered Asian country. But the good relations Indonesia enjoys with the US and the US enjoys with Japan have created a climate of minimal mutual suspicion on strategic regional issues. In recent years, China, South Korea and other ASEAN nations have become more critical of increased Japanese defence spending than has Indonesia.

The commercial story is, however, different. The stability of the Suharto regime has been built, in good measure, on its economic development policies, to which Japan has contributed considerably. The current rub is that that contribution seems to be drying up.

There has been a dearth of new Japanese investment in the past two years. More than that, some Japanese partners are pulling out of existing joint ventures (in steel, textiles and plywood). Of those that remain, Mr Masaaki Horiguchi, who runs the Jakarta office of the Japanese Export-Import Bank, reckons that probably 30 per cent are losing money and only a further 30 per cent are operating at a profit.

Both Mr Horiguchi and Mr Soesastro of the CSIS agree that part of the problem can be laid at the door of Indonesia's deliberate import substitution policies, which have left many industries, especially in processing, at market saturation levels and thus unattractive to existing and potential foreign investors.

Mr Soesastro argues that new government investment policies and priorities are needed. Mr Horiguchi, who is generally optimistic on Indonesia's longer term prospects, thinks that lower domestic interest rates and a slashing of bureaucratic red tape would help reduce the cost of investment, which he says is now dangerously—and uncompetitively high. But he concedes

that it will be and that Japan will either simply start shopping around for cheaper supplies, especially of oil, from China or even that it may be forced to contract to buy more oil from China (and less from Indonesia) as a way of rectifying its serious trade surplus with the People's Republic.

Indonesia is thus pressing Japan to guarantee it a percentage of the Japanese domestic oil market (it now has about 10 per cent for nll, or 15 per cent if LNG is included). The Japanese counter is that more flexible Indonesian pricing policies might help. As a buyer in a buyer's market, the boot is currently on the Japanese foot.

The plywood trade is bedevilled by tariff problems, with Indonesia complaining, with some justification, that Japan is more intent on offering concessions to North American producers.

Japan has promised to iron out any tariff discrepancies by 1988, but renewed US pressure for even lower duties may render this pledge suspect. A recent exacerbating issue has been over whether a new international timber association should have its headquarters in Yokohama or Jakarta.



PT JASA MARGA (PERSERO) (INDONESIAN HIGHWAY CORPORATION)

Head Office:
Toll Plaza Taman Mini Indonesia Indah
Jakarta Timur - Indonesia
Telephone : 800294, 800301
Telex : 48345 JASAMAR IA

Invites Serious Partners for Toll Roads

Projects on offer are :

- | | | | | | |
|--------------------------|-----------------|-------|---|------------------|--------|
| 1. NORTH SOUTH LINK | — DKI JAKARTA | 14 Km | 10. CIKAMPEK — CIREBON | — WEST JAVA | 130 Km |
| 2. HARBOUR ROAD | — DKI JAKARTA | 18 Km | 11. SURABAYA — MOJOKERTO | — EAST JAVA | 39 Km |
| 3. GROGOL — PLUIT | — DKI JAKARTA | 7 Km | 12. SEMARANG — BAWEN | — CENTRAL JAVA | 21 Km |
| 4. OUTER RING ROAD | — DKI JAKARTA | 66 Km | 13. YOGYA — SOLO | — CENTRAL JAVA | 60 Km |
| 5. TANGERANG — MERAK | — WEST JAVA | 75 Km | 14. CIREBON — TEGAL | — WEST JAVA | 69 Km |
| 6. SURABAYA — GRESIK | — EAST JAVA | 19 Km | 15. SEMARANG — BATANG | — CENTRAL JAVA | 75 Km |
| 7. JALAN TOL SEMARANG | — CENTRAL JAVA | 17 Km | 16. JALAN LINGKAR PALEMBANG (LINGKAR V) | — SOUTH SUMATERA | 9 Km |
| 8. MEDAN — BINJAI | — NORTH SUMATRA | 24 Km | 17. PADANG BY PASS | — WEST SUMATERA | 18 Km |
| 9. CIKAMPEK — PADALARANG | — WEST JAVA | 60 Km | | | |

Interested parties, please contact :

- | | | |
|--|---|---|
| 1. Badan Koordinasi Penanaman Modal (Coordinating Investment Board)
Jl. Gatot Subroto 6, Jakarta
Telephone : 512-008, 514-981, 514-984, 514-945
Telex : 45851 BKPM IA | 2. Mr. Ruslan Dirwijo
Gedung Sapta Taruna, Departemen Pekerjaan Umum, Iantai II
Jalan Pattimura no. 20, Jakarta Selatan
Telephone : 714-120, 715-413 | 3. PT Jasa Marga (Persero)
(Indonesian Highway Corporation)
Toll Plaza Taman Mini Indonesia Indah
Telephone : 800-294, 800-301
Telex : 48345 JASAMAR IA |
|--|---|---|

Indonesia's economic planners struggle with the problem of plunging world oil prices and the need to see more investment in the energy sector

Oil: hard lesson in market response

FOR THE first three months of 1985, oil prices on the international market took a couple of quick steps downward but Indonesia, and many of its Opec brothers, were not prepared for the downturn. When foreign buyers of Indonesian crude balked at the country's stiff Opec-tied high crude price, oil tanks suddenly filled up and production ground down from 1.3m barrels a day to close to 900,000 barrels a day.

During that period it took sluggish strategists at the Energy Department and Pertamina, the state oil monopoly, some six weeks before they could respond to the market and bring production back to normal. Indonesia learned a hard lesson in market response and flexibility. The country cannot afford to see its oil-dependent economy stifled while new situations are worked out.

In the rest of 1985 high-level teams continually worked out market scenarios and solution possibilities well ahead of real market changes, to ensure the country's lifeline kept flowing. At the same time, they have tried to best satisfy two often conflicting goals of maximising crude export potential and maintaining solidarity with Opec.

The Jakarta Government has striven over the past four years to lessen its dependence on oil and gas exports, knowing that the market could fall into the disarray that it has this January and February.

The nation's economic planners, who can hardly be faulted for over-pessimism, wrote a 7 per cent cut into the proposed fiscal 1986-87 budget this year. They cannily foresaw the plunge in oil price in the first half of the year. But like oil economists worldwide, they hardly expected the fall coming in January, and for it to go as far as it has.

Oil is still crucial to Indonesia. In the 1986-87 budget, oil and gas will provide 55 per cent of Government receipts, down from 65 per cent two years ago.

About 70 per cent of the country's foreign earnings will come from the same sector. Indonesia has the capacity to produce about 1.6m barrels a day and has been producing more than 1.4m barrels a day, including condensate, which is not included under Opec production limits.

Only about 5 per cent of the oil is produced by Pertamina, the rest by foreign oil companies who act as "production sharing contractors" to Pertamina. The three dozen foreign contractors invest money in exploration in a contracted area, and if oil is discovered in sufficient quantity to develop, the foreign company can recover its investment from oil sales and afterwards net 15 per cent of production after taxes.

If the companies discover gas and develop it commercially, as several have, they can net 35 per cent of the sales proceeds after investment costs are recovered.

This production-sharing concept, pioneered by Pertamina in the mid-1960s, has contributed greatly to stable development of the industry in Indonesia.

Only recently has it been threatened, mostly by the low prices on the international market. The Indonesian archipelago is fairly mature as an oil province, and only a few areas can be called virgin territory. Those areas are not expensive to explore, and thus less attractive as oil prices stay lower.

Slim chances

Another risk is that the chances of a large oil find are increasingly slim. The geology is such that it is doubtful finds like Caltex's Minas field, which has been producing hundreds of thousands of barrels daily for some thirty years, will be repeated. Most likely are fields of 20-50m barrels total recovery, which are not large enough to produce commercially but not in the existing crude market, especially profitable.

Despite these considerations, Indonesia attracts investment. According to Pertamina, exploration drilling will increase this year over 1985, and seismicological survey levels will be only slightly lower. Planned spending for exploration activities is expected to drop 4.8 per cent to \$87m. This represents more of a decrease in the cost of exploration in Indonesia, than it does reduced activity explains Pertamina spokesman, Zuhdi Pane.

Total foreign oil company spending in 1986 is expected to increase 8.3 per cent to \$3.6bn. This figure reflects several major projects in process.

One scheme is the Duri steam by Caltex, the country's largest producer, in Rian Province, Sumatra. Caltex plans to spend about \$2bn by the year 2010 to pump steam into the Duri oil field. It will be the largest steam flood secondary recovery project in the world.

Atlantic Richfield Indonesia, already producing from an offshore West Java block, is putting in a massive development project on the 100 million-barrel Bimas field in the same region. About 50 wells are being drilled to produce through seven offshore platforms in the first stage of development.

The second stage is expected to be larger, and industry analysts say Arco will not hesitate over the project in the face of a poor crude market.

Three real pioneer areas are just being opened up. The first is the centre of Kalimantan, where French companies Total and Elf Aquitaine have contracted immense acreage never before surveyed for hydrocarbons. The thick jungle of central Kalimantan is thousands of kilometres away from any minimal accommodations and services, and is only sparsely inhabited by small bands of Dayak tribesmen.

Together, Elf and Total are trying to open up 60,000 square kilometres of barely accessible land; the investment could run into hundreds of millions of dollars. This kind of investment, as one oil executive says, pays no heed to the short-term crude market. A discovery now, as drilling is only getting underway, would not be produced commercially for three more years. By then, the market will probably be on the upswing.

The same philosophy holds for the far east province of Irian Jaya, the eastern half of Papua New Guinea. On the west tip of that province, called "Bird's Head," for cartographical appearances, oil has been produced since before Indonesian independence. But the main mass of Irian Jaya has some areas still populated by stone-age tribesmen, is only just being explored.

Oil majors such as Shell, Amoco, and Conoco are actively drilling wildcat wells in remote areas. Shell so far has only encountered natural gas, while reports say Conoco has made small oil discoveries.

The third unexplored expanse just being opened up is

the Arafura Sea, south of Irian Jaya. Exploration in the Arafura Sea is necessarily expensive for the distance from any supply depot. The islands in the area are hardly inhabited and no fuel or food supplies are readily available. Exploration in the area could be four times as expensive as the same would be offshore Java.

International giant Diamond Shamrock and a regional oil company, Promet Bhd of Malaysia, are both taking on Arafura. Both have contracted their own areas, and have let the other "farm in" for a per cent. Promet has already drilled one well, judged a dry hole, but will be attempting a second later this year.

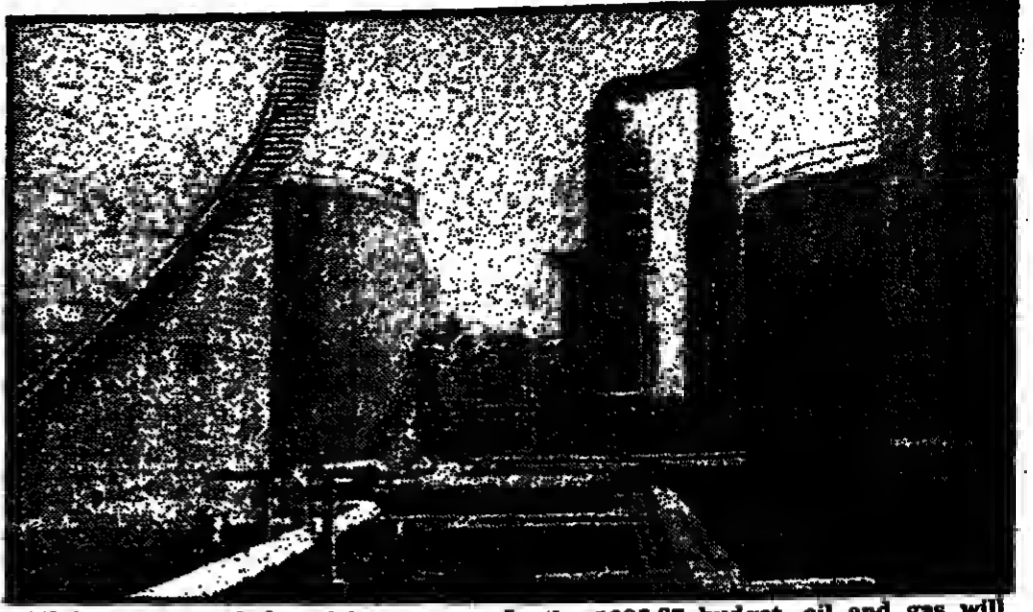
Why does exploration continue steadily when in other

countries it is falling off? The main reason, oil companies say, is that the Indonesian Government provides a stable, attractive environment for the companies' investments.

Politically, there is a calm that is unusual in developing countries. Businesswise, Indonesia publicly recognises the need to keep oil production at present levels, and accepts that foreign companies are important to maintaining those levels.

To attract foreign companies, the Government also understands the need to offer them good terms. As simple as this seems, many nations have difficulty offering it all the way that Indonesia does.

Ian Williams



Oil is crucial to Indonesia's economy. In the 1986-87 budget, oil and gas will provide 55 per cent of Government receipts

British Petroleum's operations in the Indonesian energy sector are unmatched by any other multinational, as Ian Williams reports here.

BP's expansion plans set the pace

WITH NEARLY US\$1bn allocated to build its position in South-east Asia, British Petroleum has set its primary sights on the Indonesian archipelago. Starting from early 1985, the company has expanded operations across the country at a pace unmatched by any other multinational, taking the position that while things are slow economically now, the nation's long-term potential looks promising.

BP's foundation in Indonesia is oil exploration. Of 10 blocks in which BP has an interest, three are producing oil — one more than 35,000 barrels a day. But, Mr John Turnbull, chief executive for BP in Indonesia, says the oil exploration sector is quickly becoming just a minor part of the company's activities.

It is pushing hard into shipping services, offshore engineering, gold and coal mining, alternative energy development, and downstream oil industries such as refinery management and petrochemical development. Two chicken-breeding projects have also brought in BP technology.

The big push began with an Asian strategy summit of BP managing directors in Hong Kong, more than a year ago.

They decided to boost assets in South-east Asia from 1 per cent of the group's worldwide total to 5 per cent by 1990. Oil and gas exploration was a natural starting point, but diversification into the petrochemical sector and beyond was as important.

Within Indonesia they have already spent almost US\$300m, mostly on hydrocarbon exploration. The first step in 1970 was in two offshore blocks in the Makassar Straits between Kalimantan (Indonesian Borneo) and Sulawesi (Celebes). The ventures proved unsuccessful, but BP had successes in 30,000 sq km of onshore Sulawesi. This block, known as Senggang and contracted in 1973, held a medium-sized gas field of an estimated saleable 400bn cu ft.

BP is still the operator of Senggang with partner Chevron and also operates the 10,000 sq km Merangin area in South Sumatra. The area contracted from state oil company Pertamina in 1984, is undergoing preliminary exploration activities. BP redrilled the well of a company which roughly explored the area many years ago, with no luck. Mr Turnbull, also head of BP Petroleum Development Indonesia, the company's local exploration arm, says a wildcat

well is scheduled for June 1 this year.

In 1983 BP and Lasso, another British oil company, purchased the Canadian company Hudbay Oil, which held interests in Indonesia, Hudbay's on and offshore Malacca Straits block, between Sumatra and peninsular Malaysia, has been producing more than 30,000 barrels a day since startup in mid-1984. Hudbay is developing several smaller fields in the same block.

Significant find

Buying Hudbay also earned BP interest in the Madura Straits block, which Hudbay operates off East Java. The area is one of the most promising hydrocarbon provinces in Indonesia and several other companies have discovered oil and gas. Hudbay has made one gas discovery and is working on a number of other possibilities in Madura.

BP has minority interests, its own and through Hudbay, in five other areas, one a main producing area off south Sumatra operated by Diamond Shamrock. The Kakap Block in the South China Sea is already producing some oil and will begin producing another

significant find later this year. BP has nearly 19 per cent as a partner of operator Marathon Oil.

This is only the base of operations. With the gas in the Senggang block in central Sulawesi, BP hopes to develop with several partners an ammonia plant; discussions are under way on financing. Some hesitation has been felt by ammonia buyers arising in part from the plunge in the oil market which is driving energy costs down. But BP and Pertamina, which overseas parts of the development, say it is still going ahead.

In other minerals, Indonesia is undergoing a new growth and BP coal is taking a strong role. In a 50/50 partnership with CRA of Australia, BP is planning the development of what is newly estimated as possibly 100m tonnes of high-grade coal in east Kalimantan. The venture, known as PT Kaltim Prima Coal, is reviewing plans for development of an export-oriented mine. Development costs promise to be low. The coal is in large seams breaking the surface with very little overburden, and is not far from the coast.

Indonesia is on the verge of

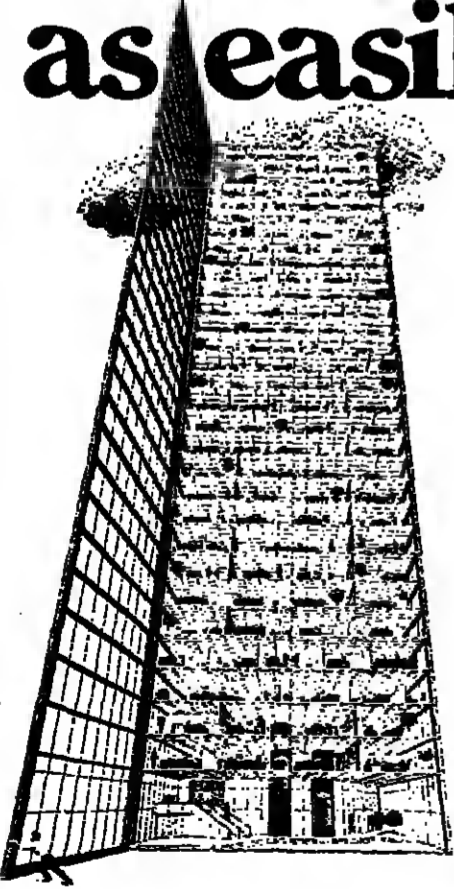
a gold rush, and BP Minerals International is involved. The hard minerals branch of the BP Group has majority interests in four areas in the first stage of exploration.

These large operations overshadow the smaller, multifarious BP business also making inroads into Indonesia. Mr Turnbull says "We have brought in one man, John Swann, specifically to research new areas where BP might find opportunities to work with Indonesia," he says.

Mr Swann, as business development manager for this country, says he enjoys his broad portfolio. His work on potential for development of downstream petrochemical industries in Indonesia absorbs a lot of his time, but this is an area of great promise for both Indonesia and BP.

Working with Mr Swann are representatives of BP Shipping and BP Solar Systems, both in Indonesia to seek opportunities. With a lot of remote territory in need of small power systems and communications, BP's photovoltaic technology has lots of applications according to Mr Ian Ingram, the BP Solar Systems representative.

Nothing opens the door to office automation as easily as Wang



You get an easy-to-use system that opens the door to the world of office automation. An incredible world that ties your organization together with technologies that no other computer company can match.

Because only Wang can bring you the most advanced electronic mail. Only Wang can bring you the newest in time and task management. Only Wang can bring the industry's best word processing.

And only Wang can put all of this together with the world's most advanced communications in one flexible package - easy to put in place and virtually transparent to the user.

With Wang Office you can not only process information, you can send it to, or retrieve it from, any office, anywhere in the world. Instantly.

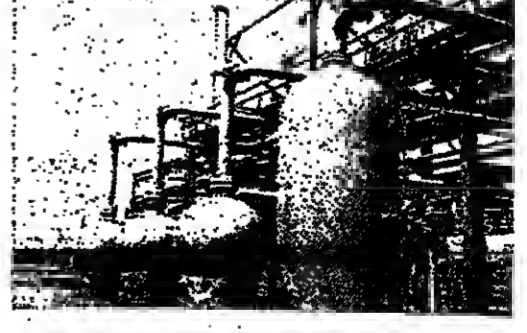
Wang Office. Thirty years of commitment, innovation and technology

WANG

The Office Automation Computer People.

PT. Metrodata Indonesia Exclusive Distributor WANG for Indonesia; Ardeloka Building, 11th Floor, Jln. Jend. Sudirman 2, Jakarta Tel: 567171 - Telex: 44198. Offices in: Surabaya, Jln. Raya Darmo 438, Tel. 66330 - Telex: 31485, Bandung, Jln. Merdeka 46, Tel. 57646 - Telex: 28278, Medan, Jln. H.Z. Arifin 122A, Tel. 25642 - Telex: 61362

PERTAMINA Mobil



Mobil Oil Indonesia Inc

INDONESIA 10

Industry

The outlook for manufacturers and the high cost of domestically-produced goods is causing concern, Alain Cass explains here.

Shake up in car sector on the way

AFTER SEVERAL years of decline the Indonesian car industry is in deep trouble and faces a major shake-up. Only a handful of the 21 local assembly plants associated with foreign companies...

Government plans to guide the motor industry towards local manufacture are seriously behind schedule, too. Most state agents have slipped in the implementation of plans to incorporate locally-manufactured components in trucks and cars.

The key to restructuring is that 80 per cent of the current market be served by only four assembly plants, 10 per cent by three others and the remaining 10 per cent by the other 14 producers.

Big names

Household Japanese names such as Daihatsu, Mitsubishi, Toyota, Honda, Suzuki, Isuzu and Datsun, are well represented. Other manufacturers, including Chevrolet and Ford of the US, are also using Japanese-made engines.

Unlike some of its neighbours Indonesia can make out a good case for local manufacture. A substantial land area and a huge, captive local market provide a sound basis for moving from assembly to manufacturing.

But a combination of overcapacity and the effect on purchasing power of falling oil prices has knocked the industry sideways. Production, as opposed to installed capacity, has been dropping sharply since 1983.

Indonesia's car industry lacks the economies of scale and the expertise to manufacture anything like the full range of cars and trucks locally. Observers estimate, for instance, that truck engines made locally—currently a major objective set by the Department of Industry—would be 30 per cent more expensive than imported ones.

Nevertheless, the Government is pressing ahead with plans to encourage local manufacture, although the original deadline of doing so by the mid-1980s is hopelessly out-of-date.

For the time being the Government is concentrating on the local manufacture of some components. Even this limited objective is proving elusive, however. One western embassy in Jakarta reports that six local companies producing brake drums are dangerously near bankruptcy.

The attempt to rescue Indonesia's languishing car industry is being done behind a solid protective wall of import duties. Most cars and trucks are subject to 100 per cent import duty.

The hope is that a combination of protectionism and draconian restructuring measures will improve the Government's chances of nursing Indonesia's car industry towards recovery.

A. C.



Women operatives in a Javanese factory: industrial activity is mainly concentrated on Java which accounts for 85 per cent of all medium and large scale industries

Slowdown continues

WITH VERY FEW exceptions, Indonesia's industrial sector, and in particular its young manufacturing base, is mired in a deep slump.

The decline in oil revenues has meant less investment, on the one hand, and less disposable income, on the other. The result is an unhealthy combination of overcapacity and outdated equipment which has left many companies on the verge of bankruptcy.

During the boom years of the 1970s, the government made big investments in heavy industry while the private sector poured its money into light manufacturing operations, such as textiles, electronics, pharmaceuticals and plastics.

In a recent study, the US embassy in Jakarta blamed government protectionism, restrictive import licensing and marketing, and production inefficiencies for the slump. Indonesian-manufactured goods, it claimed, were up to 50 per cent more expensive than their counterparts on world markets.

Many of the 222 state manufacturing corporations, said the study, are losing money, their warehouses filled with surplus products. The emergence of a modern industrial sector in Indonesia is fairly recent. In 1980, the contribution of large- and medium-sized manufacturing industry to the gross domestic product was 10.3 per cent. By last year this had risen to 12 per cent.

Large scale During the 1960s and 1970s, the sector underwent a drastic structural change shifting from industries which relied heavily on the agricultural sector—such as food and tobacco—to consumer durables and medium to heavy industry.

Industrial activity in Indonesia is largely concentrated in Java which accounts for 85 per cent of all medium- and large-scale industries. This is due to better transport facilities, infrastructure and government services. It may also have something to do with the fact that the country's ruling elite comes from Java, by far the most heavily populated of the islands in the archipelago.

The government has already conceded that target growth rates for industry will not be achieved. Mr Hartanto, the

co-operation agreement with the French Director-General for Arms and Munitions. With an eye to overseas markets, Dr Habibie is keen to produce the Exocet missile.

But the enterprise which gives him greatest satisfaction comes under fire from critics who accuse him of being an adventurer—is IPTN, formerly PT Nurtanio, the state aerospace concern. This assembles helicopters and fixed-wing aircraft under licence from foreign manufacturers.

Dr Habibie started Nurtanio after returning from 12 years with Messerschmitt-Boelkow-Loeb (MBB) in West Germany. He used his personal contact with President Suharto to get funds. This relationship dates back to the 1960s, when the Indonesian leader was army chief in Sulawesi province where Dr Habibie lived.

Helicopters The company, which employs 12,000 people on a 150-acre site near Bandung, West Java, produces helicopters under licence from Aerospatiale of France and MBB. It has a licensing arrangement with Bell of the US and technical agreements with Boeing and the Japanese.

It is also developing an engine maintenance centre with General Electric of the US, which is aimed to serve other countries as well as Indonesia's aircraft.

IPTN is also responsible for the production of a 15-seater multi-purpose turbo-prop aircraft under licence with Spain's Aeronautica SA (CASA). The two companies have also jointly designed and produced the larger CN235. This has fallen seriously behind schedule and, according to some reports, has created tension between CASA and Nurtanio.

Dr Habibie is said to blame CASA for being too slow and too small. "We have some problems," he admits, but that

is as far as he will go, adding that the aircraft has notched up 900 flying hours and is not far from its airworthiness certificate.

A. C.



BANK PEMBANGUNAN INDONESIA (Development Bank of Indonesia)

EXPERIENCED IN LONG-TERM INVESTMENT PROJECT FINANCING

- Services available: Medium and long-term loans for industrial, tourism, hotel, transportation, and maritime projects; Equity participation; Securities underwriting; Bank guarantees; Current accounts; Investment advisory services.

Head Office: Jalan Gondangdia Lama, 2-4 P.O. Box 140 Jakarta 10002 - Indonesia. Telephone: 321908. Cable: BAPINDO. Telex: 44214, 44335, 48576, 48577 BPINKB JKT.

Branch Offices: Ambon - Banda Aceh - Bandar Lampung - Bandung - Banjarmasin - Bengkulu - Denpasar - Jakarta - Jambi - Manado - Medan - Padang - Palembang - Palu - Pekanbaru - Pontianak - Samarinda - Semarang - Surabaya - Yogyakarta - Ujungpandang.

Advertisement for LANE Moving & Storage. Features include: 'HOW TO PACK, STACK, RACK, & PROTECT YOUR PERSONAL TREASURES IN JAKARTA WITH LANE'. Services: Air Conditioned & Dehumidified Storage, Convenient, Protected Location, Large Dry Storage Area. Contact: Call Gerry Lane or Gary Sweitzer. 783007, 783008, 783009, 783107, 783177, 783179. Cilandak Commercial Estate Facility 408 Jakarta Indonesia.

Although they are a small minority among Indonesia's 165m people, the Chinese wield considerable economic and political influence.

Chinese still a group apart

MAINTAINING a sense of unity and fierce national pride among Indonesia's 165m people has been perhaps the greatest achievement since independence in 1945. Rebellions have come and gone but the overall integrity of the state under the national slogan of "unity in diversity" has been maintained.

But the Chinese in Indonesia remain a group apart, often resented by the majority for their economic power and influence. The Chinese in turn are resentful of government restrictions on their activities and insecure about their position in society.

Estimates of the number of Chinese in Indonesia vary between 2.5m and 5m. Most are from southern China and speak Hakka, Hokkien or Cantonese dialects.

They fall into two groups: the "Totok", or pure blood Chinese, are mainly recent immigrants who arrived in Indonesia this century and still use Chinese as their first language. The *Peranakan*, or mixed blood Chinese, are descendants of earlier settlers. Many speak no Chinese, have adopted regional customs and are often indistinguishable from the local people.

Even modes of dress and cooking have blended with local conditions. The *Peranakan* cuisine is one of the most delicate and appetising in the world, a luxurious mixture of the best of China and the best of Indonesia and Malaysia.

The Dutch colonialists must take much of the blame for encouraging indigenous animosity towards the Chinese. In colonial times the Chinese were often used as the administrators of Dutch policies. Quick to adapt, many Chinese went to Dutch schools and became fluent in the language. The Dutch exploited racial differences and gave the Chinese considerable economic power.

That power has increased over the years. As much as 60 per cent of the trading sector is in Chinese hands. Chinese are also a major force in banking and financial services and are the main investors in Indonesia's industrialisation programme.

In the 1950s the Chinese were moved out of the villages to lessen their economic influence at the basic levels of society. In 1965 an attempted coup was blamed on the Indonesian Communist Party, acting in collusion with China. The Chinese were looked on as fellow travellers.

Some fled their sacred ancestral records in efforts to disguise their identity. Most Chinese temples were closed. Public display of the Chinese script was forbidden and the Chinese were encouraged to change their names.

Thus Indonesia's most famous Chinese, the business tycoon, Mr Liem Sioe Liong, officially referred to within the country as Soedomo Salim, a combination of Liem or Lim and the Chinese word *san*, meaning three. (Liem and his two brothers are business partners).

No Chinese schools are allowed, and various constraints are placed on everyday life. Often Chinese find it difficult to enter state universities or find the path to promotion blocked in many state enterprises. Some complain that they are forbidden access to sensitive areas, such as computers.

Many find it difficult to raise loans from state banks or arrange cheap lines of credit. As a consequence, few enter state service and the community has tended to resort to its own resources, suspicious of outsiders.

Through the 1970s there were several anti-Chinese riots, not only in Jakarta but also in the hill city of Bandung and in Ujung Pandang in Sulawesi. Such riots were often stirred up by disgruntled local officials. Some of the more radical Muslim groups are in the forefront of outbreaks of anti-Chinese feeling and the Chinese have been used as a convenient scapegoat for channelling Islamic dissent.

But the Chinese would not have amassed their considerable economic position without fostering close links to those in power. President Suharto is a close business associate of Liem Sioe Liong and their relationship goes back more than 20 years. Mr Suharto's brother, Mr Sudwikatmono, is a partner in many Liem enterprises.

Other leading Chinese, like the timber and oil support services magnate Mr Boh Hasan, or the head of the giant Astra Group, Mr William Soeryadjaya, have nurtured strong ties with the ruling group.

Native or *Pribumi* businessmen often complain that government officials favour the Chinese with licences and important contracts in return for substantial cash rewards.

Though there has been no Chinese minister in Suharto's New Order Government, Chinese exercise a behind-the-scenes political influence. The Centre for Strategic and International Studies is a military backed think tank. Most staff are Chinese. Its head, Mr Liem Biao Kie (locally known as Jusuf Wanandi) often acts as spokesman for Mr Liem Sioe Liong. A brother is in charge of many of the military's business enterprises.

The government seems to realise the dangers anti-Chinese feeling poses: investment from the Chinese community is crucial to the success of economic plans. The armed forces chief, General Benny Murdani, recently ruled that what he called the *divisiva* terms of *Pribumi* and non-*Pribumi*—separating the Chinese from the rest of society—should not be used.

But suspicions persist on both sides. It will take a long time before this legacy of Dutch rule finally disappears.

sources, suspicious of outsiders. Through the 1970s there were several anti-Chinese riots, not only in Jakarta but also in the hill city of Bandung and in Ujung Pandang in Sulawesi. Such riots were often stirred up by disgruntled local officials. Some of the more radical Muslim groups are in the forefront of outbreaks of anti-Chinese feeling and the Chinese have been used as a convenient scapegoat for channelling Islamic dissent.

But the Chinese would not have amassed their considerable economic position without fostering close links to those in power. President Suharto is a close business associate of Liem Sioe Liong and their relationship goes back more than 20 years. Mr Suharto's brother, Mr Sudwikatmono, is a partner in many Liem enterprises.

Other leading Chinese, like the timber and oil support services magnate Mr Boh Hasan, or the head of the giant Astra Group, Mr William Soeryadjaya, have nurtured strong ties with the ruling group.

Native or *Pribumi* businessmen often complain that government officials favour the Chinese with licences and important contracts in return for substantial cash rewards.

Though there has been no Chinese minister in Suharto's New Order Government, Chinese exercise a behind-the-scenes political influence. The Centre for Strategic and International Studies is a military backed think tank. Most staff are Chinese. Its head, Mr Liem Biao Kie (locally known as Jusuf Wanandi) often acts as spokesman for Mr Liem Sioe Liong. A brother is in charge of many of the military's business enterprises.

The government seems to realise the dangers anti-Chinese feeling poses: investment from the Chinese community is crucial to the success of economic plans. The armed forces chief, General Benny Murdani, recently ruled that what he called the *divisiva* terms of *Pribumi* and non-*Pribumi*—separating the Chinese from the rest of society—should not be used.

But suspicions persist on both sides. It will take a long time before this legacy of Dutch rule finally disappears.

Kieran Cooke



Indonesia is the world's fifth most populous nation: Java is the most densely populated and developed island on the archipelago

Power rests with the Javanese

"A SPECIAL meeting of President Suharto and some of his key advisers was held at the palace today. Dukuns or spirit doctors were consulted, various portents and signs, lightning strikes and storms were discussed. Special numbers were chosen."

Such Lear-like news is never released. Yet Indonesian political and social life does at times seem to belong more to the world of symbolism and ceremony than to more pragmatic, earthly realms. It is what one writer called the *X Factor* of Indonesia—the world of the Javanese.

Terms are confusing: when Indonesians talk of the Javanese, they refer mainly to those who come from central Java, from the richest land on the most fertile island in the world. The Javanese describe their land as the nail from which the rest of the universe hangs.

It contains some of the world's more spectacular scenery with intricate rice terraces, perfectly shaped volcanoes, lakes, orchards and market gardens. Around the ancient courts of Solo and Jogjakarta the elders still sit in their ornate costumes, willing away their time under the sacred banyan trees.

Javanese are acutely conscious of their background and proud of their rich culture and courtly graces. Their dance, drama and music is an intricate blending of various artistic forms. No voice should ever be raised in anger, self-control must be maintained at all times.

The Javanese language, spoken in various high and low forms, is circumlocutory and full of obfuscation. Most Javanese are only nominal Muslims. Ancient Hindu and animistic beliefs play a far more important role in their lives than the Koran.

Dukuns combine the roles of folk healer and soothsayer: when ill even the more sophisticated Javanese will first go to a dukun and only later to a doctor. Dukuns are also frequently consulted to advise on dates for marriages or contract signings.

The Javanese dominate government. Mr Suharto was born of a farming family close to the royal court of Jogjakarta. Mrs Suharto is related to the Mangkunegaran clan of the royal house of Solo. A volcano erupted.

Many of the president's closest advisers come from central Java—General Benny Murdani, the armed forces chief, is a catholic from Solo. Retired General Sujono Humardani, the acknowledged palace dukun, is also from Solo.

The ever-smiling figure of Mr Suharto fits perfectly into the Javanese ethos. He has *wohyu* the mystical power, the divine blessing and an ability to turn chaos into order, poverty into prosperity. He is cautious but firm; he looks after those who are loyal, but is quick to isolate those who disagree.

The ceremonial that surrounds the President, the way he always travels with a sizable court of ministers and senior officials, recalls the time of the old *rajas*. Mr Suharto uses Javanese when addressing those closest to him, not Bahasa Indonesia. He has power — and power among the Javanese is respected.

Interpretation

But such power can be fragile. Javanese are deeply aware of elements that might portend change. The old palace, or *kraton*, in Solo was recently destroyed by fire. A sacred banyan tree in the court complex suddenly crashed down. Lightning struck the ancient Buddhist temple at Borobudur. A volcano erupted.

Javanese were quick to interpret events; perhaps significant changes were about to take place. Perhaps Mr Suharto was finally losing his *wohyu*. Just how important such things are in government is difficult to gauge. Indonesia is

a complex country and in many respects is run in a practical manner. Mr Mochtar Lubis, an author from northern Sumatra sometimes critical of the Government, feels that the main problem with the traditional Javanese view is one of *asal bapak senang* — "as long as the boss is happy." The ruler is often shielded from criticism, while various events that might displease him are not mentioned.

Others feel the Javanese are too introspective and too ethnocentric. They are suspicious of outsiders. "The Javanese are the ones who want to black out foreign newspaper articles that might be offensive. They are not receptive to outside ideas, feeling that they have found the perfect way," said one critic.

Yet there are some notable exceptions to this view. Men like Dr Ali Wardhana, the economics minister and from Solo, are truly international in their outlook.

Indonesia would hardly have developed as quickly as it has if it was not responsive to other ways of life. But the Javanese elite remains a secretive group; only they really know just how important the *X factor* is in Indonesian political life.

Kieran Cooke



Indonesia's most famous Chinese, the tycoon Liem Sioe Liong (facing camera) in discussion with Dr Ali Wardhana, Indonesia's Minister for Economic, Financial and Industrial Affairs

It takes profound artistic insight to create a masterpiece.

Speed and accuracy are basic aspects of expertise. This is an undisputable fact. However, for us it is not enough. On top of that, we demand deep creative understanding of work undertaken. It is our company philosophy.

This is the reason why our company did not develop as fast as some others, but was slowly, steadily, and very surely climbing up the ladder of success.

It is also the reason why the results of our work always meet the highest standards set by our consumers and the general public.

In fact, our greatest satisfaction are derived from conceiving and creating masterpieces.

Bakrie & Brothers
Concrete effort for development

We offer highest grade agricultural products through our expert estate developments

Export: Dried cocoa beans and Rubber

HP PT. HASFARM PRODUCTS LTD.

HEAD OFFICE : Jl. Sultan Hasanuddin No. 8 Blok M 3, Kebayoran Baru Jakarta 12160, Indonesia.
Phone : (021) 712120 (2 Lines), (021) 774484 (4 Lines), Telex : 47280 HASFARM-IA, Cable Add. : HASFARM.

EAST JAVA : PT. Perkebunan Hasfarm Sukokulon, Tel: 77-Tanggul, Cable Add.: Hasfarm-Tanggul, Tanggul - Kabupaten Jember.

BRANCH : "SAMARINDA" Jl. Ruhuy Rahayu No. 26, Tel: (0541) 23828, Telex: 38240 HASFARM-Smr, Cable Add.: HASFARM-Samarinda, East Kalimantan.

When you ask for beer, ask for Bintang.

Bir Bintang is the only beer brewed in Indonesia which has been awarded the Monde Selection Gold Medals for three consecutive years. Bir Bintang is brewed with the technological assistance of Heineken Holland for you to enjoy. So when you ask for beer anywhere in Indonesia, just ask for Bintang.



P.T. BANK INTERNASIONAL INDONESIA

WE MAKE BANKING JUST RIGHT FOR YOU

Affiliated Companies :

- Leasing : PT. Internas Arta Leasing
- General Insurance : PT Sinar Mas Dipta
- Life Insurance : PT Asuransi Jiwa Purnamala Internasional Indonesia.
- BII Finance Hongkong Ltd.



Head Office :

Jl. Ir. H. Juanda No. 37-38
 Phones : 377688 (8 lines)
 Telex : 45556 BII JKT.
 Jakarta Pusat, INDONESIA

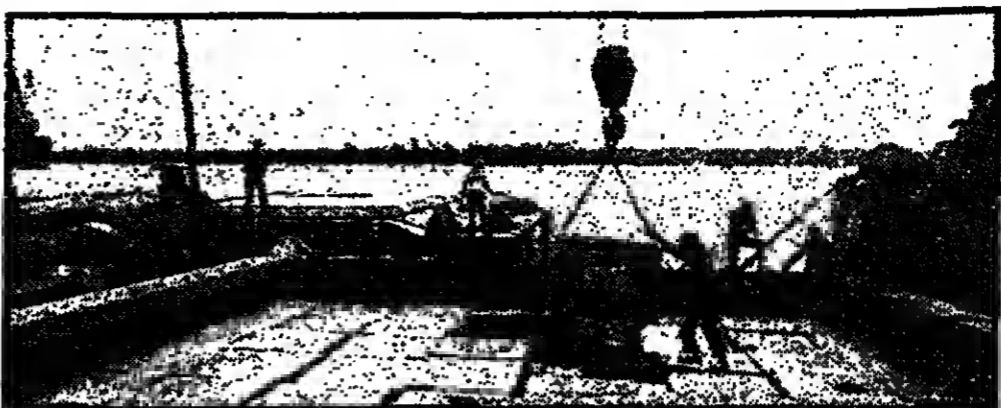
Branches :

- Jakarta
- Semarang
- Surabaya
- Medan
- Ujung Pandang

INDONESIA 12

Natural Resources

Agriculture is the star of the Indonesian economy, and self-sufficiency in food is now a reality, reports Kieran Cooke



Tree-grown rubber being loaded on to cargo ship from a barge at the port of Belawan. The Government is seeking more investment in plantation crops, such as rubber

Big success in farming

IN THE 1950s, the late 1960s and early 1970s the spectre of famine haunted Indonesia. Food queues were a common sight. Riots often broke out as the hungry demonstrated against government inefficiencies. Today, though the majority of Indonesia's 185m people are still poor—with per capita income well below US\$ 600 per year—few actually starve. Bringing about a large measure of food security and self-sufficiency is perhaps the greatest single achievement of the Suharto government's 18 years in power.

It has also played a vital part in maintaining peace in the country and sustaining President Suharto's political control. Agriculture remains the dominant sector of the Indonesian economy, accounting for about one-third of GDP and employing 55 per cent of the labour force.

Indonesia has a total land area of 1,918,443 square kilometres, of which about 12 per cent is cultivated. Three islands—Java, Madura and Bali—together make up 40 per cent of the country's cultivated land, though they only represent 7 per cent of total land area. Production of rice, the staple diet, predominates with 38 per cent of cultivated land area given over to paddy.

It is estimated that up to 30m farmers, many working holdings of less than half a hectare, are involved in rice production. In 1976 production was 11m tonnes but by last year it had more than doubled to 26.3m tonnes.

Indonesia, which as recently as 1980 was the world's largest rice importer, had become self-sufficient and even a potential rice exporter.

The country's success in rice production, according to Mr Suharto, "is not a miracle, but the hard work of a nation carried out diligently, based on a realistic development plan." Rice production was treated as a priority from the late 60s onwards and during the first and second five year plans in the 70s, the agricultural sector received more than 20 per cent of Government development expenditure. Up to 1984 it had also received nearly \$2bn in foreign aid.

A mass guidance programme called Eimas was launched to educate farmers in new production techniques and to introduce the new Green Revolution rice strains. Intensification and extensification were the buzz words of the agricultural plan-

ners. The new strains increased plantings to three a year. Use of fertilisers and insecticides increased dramatically.

In 1988 farmers used 357,000 tons of fertiliser but by 1984 more than 4.1m tons was being used. Over the same period insecticide use went up from 1,200 tons to 13,000 tons per annum.

Land reclamation, rehabilitation and irrigation were the main weapons of the extensification programme. In the last 15 years an additional 1.5m hectares of land has been irrigated while the total harvested area of rice fields increased from 8m hectares in 1969 to 9.6m hectares in 1984. Smallholders have meanwhile been organised into a network of co-operative units and advised on new methods. Thousands of thousands of agricultural extension workers.

Nearly 4,000 village banks were set up to extend cheap credits, while the state procurement agency, Bulog, undertook sophisticated buying programmes to maintain adequate price levels and supplies to the market.

Rice stocks

Abundance has, however, brought its own problems. Bulog now has stocks on its hands of 3.5m tonnes. Mr Suharto is known to favour holding a large rice stock to guard against sudden climatic changes and the politically damaging prospect of a resurgence of food shortages. Bulog had to borrow 1,920 million (\$1.7bn) in subsidised loans from state banks last year to finance its operations, and warnings had been given of bankruptcy without direct intervention by the Government.

In his budget speech earlier this year Mr Suharto said the Government would in future shoulder more of the rice-buying burden. In addition, many credit schemes have been phased out and more stringent quality controls on rice have been introduced. This has pleased the farmers, who have seen the price for their paddy drop over the past 12 months.

Current Government plans call for a 2.5 per cent average annual increase in rice production over the next five years—to keep pace with projected population growth. This compares with an average annual production increase of 5.1 per cent over the last 15 years. Other crops such as corn, soybeans, cassava and vegetables have registered impressive increases over the years, if not so

dramatic as that of rice.

In 1984 cassava production rose 22 per cent to 14.2m tonnes while corn production went up by 5 per cent to 54.4m tonnes. Sugar production has quadrupled over the past 10 years and all imports have now ceased, but prices continue to be considerably higher than those on the world market where over supply in recent years has led to steeply declining returns for producers.

Government policy is to raise production of secondary food crops, like cassava and corn, and to pay greater attention to cash crops in the plantation sector such as rubber, coffee, cocoa and palm oil. The four-year plan, which began last year, aims at achieving an annual rate of growth of 3 per cent in the agricultural sector compared with an overall target of 5 per cent GDP growth each year.

Yet although rice production is still continuing to expand—albeit at a slower pace—there are worries that with declining revenues from oil and gas exports the Government will no longer have adequate funds to finance the necessary intensification and extensification schemes for further growth in other crops. There is particular concern in the plantation sector where massive investment is needed if government targets are to be achieved.

The government is making a big effort to encourage agro-based industries. Fertiliser production has shown large increases up from less than 100,000 tons in 1969 to more than 4m tons last year, but the growth of other agro-related industries has faltered. Fisheries enterprises in particular have not come anywhere near to achieving their potential, and many firms involved in schemes such as shrimp breeding have gone bankrupt, mainly because of lack of financial back-up.

Overall, therefore, over the past 15 years agriculture has been the star performer in the Indonesian economy. In 1984, growth in the sector was 10.2 per cent. Few expect those heights to be reached again. However, the government's number one priority of food self-sufficiency has been achieved. The land in most of the highly productive areas has absorbed all the people it can take. New priorities, like industrialisation, will now take over.

Plantations in cash problem

INDONESIA'S planners have a well-deserved reputation for pragmatism, often seeming almost too conservative in their approach. But in the plantations sector, events have gone badly wrong with targets proving hopelessly optimistic and schedules only rarely being realised.

In the 1970s the Government decided to make a big push to improve output in the plantations sector. For years, plantations had been largely ignored. This was due, in part, to the growing abundance of oil revenues.

Little attention was paid to other sectors as what have been called "the drug years" of the oil boom continued. But plantations also recalled the long years of Dutch colonial rule: they symbolised a much-despised system of indentured labour and exploitation.

Only recently, with the downturn in oil prices, has the Government emphasised the importance of plantations, rehabilitating and developing large tracts of land in various parts of the archipelago.

Most plantations are run by the state. Some, particularly in Sumatra, have successfully rehabilitated neglected estate land and are making profits. Others continue to incur losses. Poor management and planning, plus debt obligations to state banks on loans running at 16 per cent, have caused serious difficulties in the state plantations; many of the state companies, called PTPs, have become too big and are unable to find sufficient funds for costly crop improvement.

The Government had hoped to alleviate some of the burden carried by the state plantations through its Nucleus Estate Scheme. The scheme, con-

ceived in the mid-70s and encouraged by President Suharto, aims to establish a network of plantations in which 80 per cent of the land will belong to the developer. The developer finances land clearance and assists in much of the planting; he also buys the produce. Smallholders account for the bulk of cash crop output. Shortage of cash plus a lack of the latest technical knowledge has tended to lower productivity among the smallholders. Quality has also suffered. Costs are increased by transportation and marketing difficulties.

Difficulties

The Nucleus Estate Programme was seen as playing an important role in rationalising the system and bringing smallholders into a series of more efficient and more productive units. Nucleus estates were also seen as a method of soaking up employment. Nearly 3m new workers are coming onto the Indonesian labour market every year: the labour-intensive plantations sector is capable of employing large numbers.

The Nucleus Estate Scheme also fits into the Government's transmigrasi programme under which people are moved out of the chronically overpopulated areas of Java and Sumatra and into other islands. Originally, transmigrasi concentrated on providing land in the more remote regions for farmers to grow rice. Now the emphasis has changed: plans are for more and more transmigrants to be put into nucleus estate units.

But the Nucleus Estate Scheme has run into many

problems and, in the last five-year development plan, less than 50 per cent of estate targets were met. Shortage of funds has been the main obstacle. It is calculated that if the next five-year development targets are to be met nearly \$6bn will be needed.

The World Bank, the Commonwealth Development Corporation (CDC) and other international institutions have pledged to help with about a third of the funding costs.

With the serious financial constraints brought on by the drop in the price of oil, which still accounts for more than 60 per cent of Indonesia's foreign exchange earnings, it is unlikely that the Government will be able to shoulder the rest of the financial burden involved in the Nucleus Estate Scheme.

Originally, the Government hoped for considerable help from the private sector—both local and foreign—in developing the Nucleus Estate Scheme. This had not been forthcoming. Investors have balked at providing funds for a system over which they would not have entire control.

Plantation development is a long-term business: Indonesian investors traditionally look for short-term profits and are wary of committing large amounts of cash to what is not only a financial but also a social programme.

Chinese investors are particularly shy of such a scheme. Many feel that the political climate could change and their plantations lands might be seized by a new regime unkindly disposed to large Chinese landholdings.

The whole subject of land-holding is an emotive issue in Indonesia. Since the downfall

World's leading plywood supplier

OUT ON the remote island of Seram, in the east of the Indonesian archipelago, stands one of the world's largest plywood mills with a 16 line production facility capable of turning out a massive 40,000 cubic metres of plywood each month.

The mill is owned by the Djajanti group, one of Indonesia's largest timber conglomerates, run by Mr Burhan Uray, a flamboyant local Chinese businessman. The Seram factory was opened with great fanfare by President Suharto in late 1983. But today much of the machinery at the factory lies idle.

The Djajanti group has accumulated debts estimated to be more than US\$220m and only a salvage operation by two of Indonesia's major state banks—the main creditors—has kept some production at Seram going.

The problems of the Djajanti group are shared by many other companies in the Indonesian plywood industry, where over-rapid expansion has led to falling prices on the world market. Ten years ago there were only two plywood mills in Indonesia. Now there are more than 100 with another 25 under construction.

Production last year was about 4m cubic metres, making Indonesia the largest plywood supplier in the world with about a 70 per cent share of the market.

The spurt in production came in 1981 when the government decreed that exports of whole logs be gradually phased out, stopping altogether at the beginning of 1985. In the interim, only those companies which invested in downstream industries such as plywood and sawn timber mills would be able to continue the lucrative whole log export business.

Expansion

The government also encouraged downstream expansion by leasing or state banks to give generous building loans to the timber companies.

While the number of mills increased dramatically, little attention was given to marketing or actual export potential of plywood products. Other producers, such as the Philippines and Malaysia, accused Indonesia of plywood dumping and of driving down prices.

In 1982, before the Indonesian industry expanded, the plywood price was about \$320 a cubic metre. Now, with slight variations depending on quality, the price fluctuates between \$230 and \$270 per cubic metre. Despite low labour costs, many Indonesian companies have gone bankrupt while about 2m cubic metres of production capacity is not being used.

Over the past year, however, the industry has made considerable efforts to reorganise itself. The weaker, less financially sound companies have gone out of business, and the government has told the banks not to give any more loans for plywood production expansion.

The government has also encouraged the formation of a joint marketing body to control export supply, and ultimately it is hoped price. A new firm, PT Fendi Indah, operates as a trading house for plywood, managing ready stocks for spot sales in major consuming countries, like Japan and the US.

In a further effort to control prices, plywood is likely to be introduced as the next item after rubber and coffee on the newly opened Jakarta commodity exchange. Exports have risen sharply with plywood challenging rubber and coffee for the number two position in Indonesia's export earnings league. The value of exports has gone up from only \$163m in 1980 to \$830m last year. This year their value will probably exceed \$1bn.

China, with which Indonesia recently re-established direct trading relations after a gap of nearly 20 years, has now become the largest export market for Indonesia's plywood, followed by the US and Japan. Saw timber exports have also increased substantially, from \$85.8m in 1978 to \$234m in 1985.

But the future poses many problems. Supplies of tropical hardwood trees for plywood production are dwindling. Most of the easily accessible areas along river banks, or near existing logging tracks, have already been logged out.

Critics say government targets of wholesale expansion of the timber industry over the next five years are not only unrealistic but dangerous. One estimate is that less than 10 per cent of land cleared by logging is replanted. "People are overwhipped by the size of Indonesia's forests. But they don't realise just how delicate tropical forests are—you ruin one part and all the rest is affected, perhaps permanently," one environmentalist warns.

Kieran Cooke

CONTINUED ON PAGE 13

Tourism

INDONESIA 15

Asian tourist arrivals

Table with columns for Year (1979-1984) and rows for Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei.

Source: Directorate General of Tourism, Indonesia

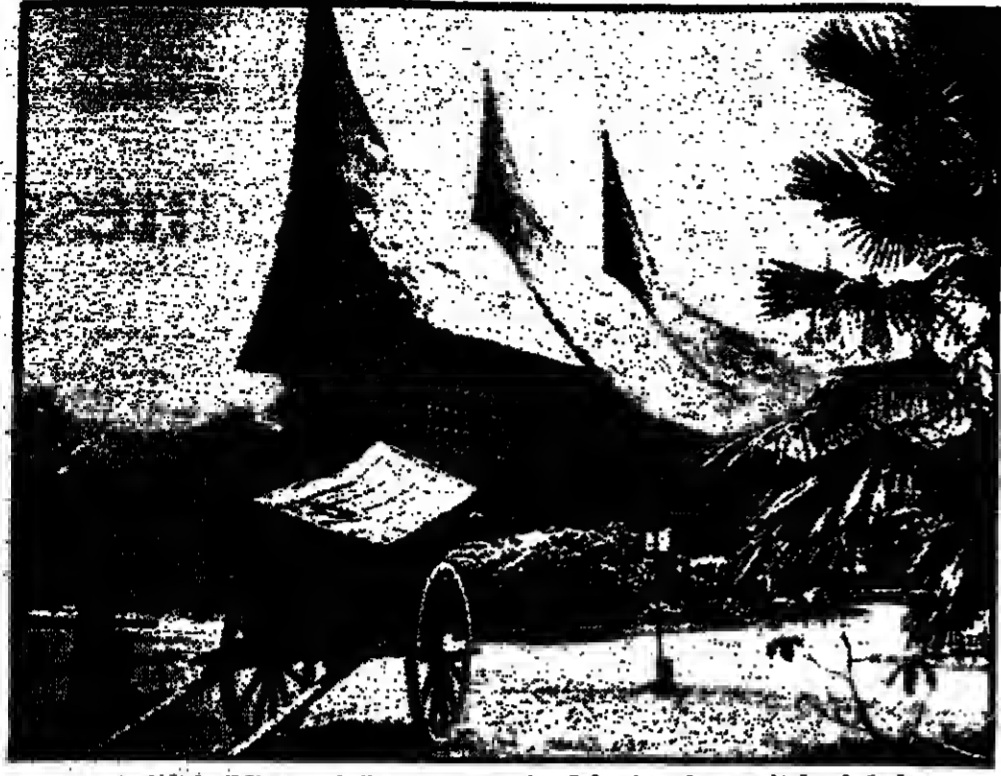
HINTS FOR VISITORS

What to buy Indonesian batik is renowned throughout the world. It is perhaps at its best in Yogyakarta where there are many specialised craft ateliers and workshops.

Indonesia has a rich tradition of ceremonial dance, puppetry and religious drama. Wayang kulit (shadow puppet plays) portraying scenes from religious and folk history are performed all over the country while Bali is renowned for its ceremonial dances representing scenes from the sacred Hindu epics, the Ramayana and the Mahabharata.

Food and drink Though rice-based, Indonesian food is given great variety by the use of many local spices and herbs, fresh meat and vegetables. It is hotter and spicier than Malay or Chinese food.

Sports and entertainment Indonesian beaches are excellent for swimming and surfing from but great care should be taken as many of the seas are treacherous and bathing can be dangerous.



The graceful buildings of Taman Mini in Jakarta, the capital of Indonesia. Tourists are drawn by the country's rich variety of festivals, customs, ceremonial dance, religious drama, arts and crafts

Search is under way for tourist's dollar

INDONESIA IS not the most fashionable of places. Reference to it usually brings faintly quizzical expressions and a quick look at the atlas. Some even think it's merely part of Bali.

Falling income from oil and gas exports has brought a new urgency to the search for the tourist dollar. Visa requirements for more than 20 countries have been abolished. Entry into Indonesia is now possible through a number of new "gateways" in Sumatra, Sulawesi and Irian Jaya in the east.

It is only one of the many sights of Indonesia however. Slowly people are discovering the pleasures of a trip up the mighty Mahakam River in Kalimantan or climbing the snow topped peaks of Irian Jaya—a province described as the last frontier, an anthropologist's dream world where people live by hunting and gathering as they have done for centuries.

Yet last year only 700,000 tourists visited Indonesia. Singapore, the island state that appears as a pin-prick on the map compared with Indonesia's vast expanse of territory, had nearly 3m tourists arrivals.

Progress has, nevertheless, faltered, and government targets of 1m tourists by the mid 80s have gone unrealised. Marketing has traditionally been a weak area in Indonesia. There is still a chronic lack of readily available information about the country overseas—even in somewhere as close as Singapore.

Sometimes, too, incomprehensible things happen. Indonesia now has four luxuriously appointed cruise liners ambulating through various ports in the archipelago—one of the more ideal ways to travel—but trying to buy a ticket on one of the boats is as difficult as extracting change from the notoriously impetuous Jakarta taxi drivers.

Being the one hotel situated in Jakarta's business centre certainly presents obvious advantages. For one thing, it will leave you with ample time to work out in its superbly equipped health centre.

Settlements which have not succeeded, as well as a considerable number which have. But the policy is clearly irreversible, if for no other reason, as General Murti, the Army chief, has put it, because it helps disseminate knowledge and understanding of the state's ideology and policies—which happen to be largely derived from Java.

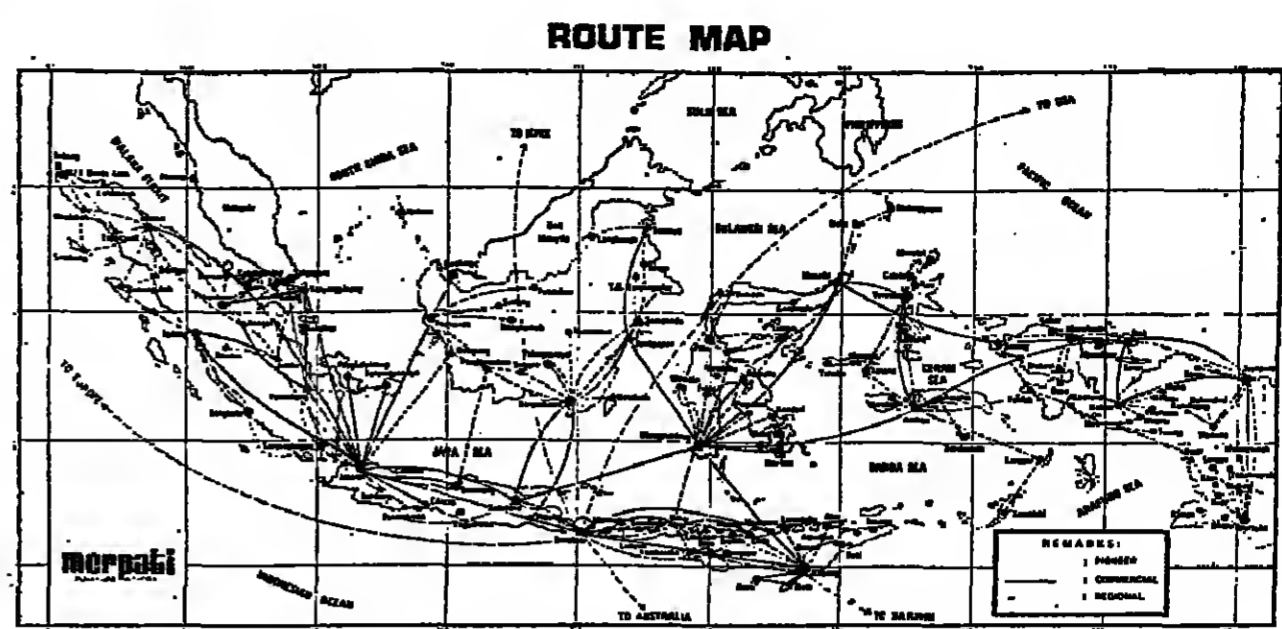
Sumatra has, of course, more than coal. It has Indonesia's first and greatest reserves of oil and, now, natural gas; its rubber plantations are second only to Malaysia's (and, indeed, the city of Medan is now home to a number of expatriate Malaysian hands) and it is rich in oil palm and cocoa; its timber stock is of incalculable value; it has a variety of minerals as well as traditional spices.

Advertisement for The Mandarin, Jakarta, featuring a map of Indonesia and text describing the hotel's location and amenities.

'Island of Hope'

Sumatrans are also not above complaining that the control of the local economy is passing, increasingly, into Javanese hands. The counter-argument is that the Javanese possess the skills, especially in industry, which the Sumatrans still lack. Sumatra does have some good universities and technical institutes, but their graduate output is still appreciably below that of Java.

MERPATI FLIES TO 112 DESTINATIONS WITHIN INDONESIA



- FOR RESERVATIONS, PLEASE CONTACT US AT THE FOLLOWING ADDRESS: MAIN OFFICE IN INDONESIA: MEDAN, SURABAYA, LAMPUNG PANDANG, DENPASAR, BALI, BALIKPAPAN, MENADO, BIAK, PONTIANAK, MALANG, PALEMBANG, BANJARMASIN, BIMA, TARAKAN, KUPANG, AMBON, SOBONG, JOGJAKARTA, MANOKWARI, MALDRE, WANGAPU.

merpati nusantara airlines WE KNOW INDONESIA BEST! Head Office: Jl. Angkasa 2 P.O. Box 323 Jakarta, Indonesia

THE SELLING VOICE OF JAKARTA. elshinta 1368 ARTHALOKA BUILDING 18th Fl. 2, Jl. Jend. Sudirman, JAKARTA. Phone 583818.

Tips for overseas visitors

HERE, in brief, is a guide for overseas visitors to Indonesia: Time zones: GMT + 7 hours, EDT + 13 hours in West Zone (Java, Sumatra, Bali); GMT + 8 hours, EDT + 14 hours in East Zone (Molucca, Irian, Java). Climate: Tropical, uniformly hot and humid with monsoon rains from October-April and dry season from May-September.

Entry requirements
Passport: Required by all except for holders of certain documents issued by the UN or Indonesia and certain seamen. Visa: Tourists and business visitors do not require visas for a stay of up to two months, a period which can only be extended for USSR and Eastern Bloc passport holders. Special permission from the Immigration Department must be obtained for travel to Irian Jaya or Timor.

Prohibited entry: Documents, including passports issued by Israel are not acceptable. Health: Vaccination certificates required for yellow fever or cholera if travelling from infected areas. Cholera vaccination and anti-malarial precautions are recommended. All water should be boiled before drinking.

Currency: The maximum amount of currency which may be imported or exported is Rp50,000 per person. Exchange rates for foreign currency are generally the same at both banks and money changers. Major currencies of travellers' cheques may be exchanged at most banks, except in the provinces.

Customs: Personal effects are generally allowed entry, with electrical goods subject to customs duty. Importation of arms and ammunition pornography, advertising material printed in Bahasa Indonesia, certain pharmaceutical preparations and cosmetics, built-up TVs and built-up vehicles is prohibited. Films and videos require a permit from the censorship authorities, which can take up to a month. Some other products are subject to testing or registration before import is allowed.

Air access:
National airlines: Garuda Indonesian Airlines. Other airlines: Cathay Pacific, China Airlines, CSA, JAL, KLM, PT Mandala Airlines, MAS, Merpati Nusantara, Philippine Air Lines, Qantas, SIA, Swissair, Thai International, UTA. International airports: Cengkareng International (CGK), 20 km from Jakarta, on Java; Ngurah Rai (DPS), 13 km from Denpasar, on Bali; duty-free shops, restaurant, bar buffet, hotel reservations, post office, shops; Polonia (MES), 2 km Medan, on Sumatra.

Surface access:
Main towns: Jakarta, Surabaya, Bandung, Semarang and Yogyakarta on Java; Denpasar on Bali; Medan and Palembang on Sumatra; Ujung Pandang (Makassar) on Sulawesi.

(Celebes); Banjarmasin, Balikpapan, Samarinda and Pontianak on Kalimantan (Borneo); Jayapura on Irian Jaya (New Guinea).

Hotels: International-standard hotels have air conditioning and often business centres, where translation and secretarial services are normally available. A service charge is normally added to the bill, so tipping with small change is usual.

Taxis: Taxis can be obtained at hotels, airports and railway stations. Standard fares are usual from Bali Airport to major hotels. Metered taxis, which are preferable, are available in Jakarta, but it may be necessary to insist on the use of the meter. Fares are very reasonable. Taxis may also be hired by the hour, which is less expensive for longer journeys. In Jakarta, it can be difficult to hail taxis, so engage one at the hotel and retain it until returning. A 10 per cent tip is usual.

Car hire: Car hire, mostly chauffeur-driven, is available in major towns and cities. Except for international car hire operators which accept credit cards, full payment for car hire is made up-front.

National transport:
Air: Garuda operates extensive domestic services, including daily services between Jakarta, Surabaya and Medan. Other routes are also served by Bouraq Indonesia Airlines, PT Mandala Airlines and Merpati Nusantara. Roads: Extensive road network

includes over 150,000 km of roads, 25 per cent of which is surfaced. A 525 km highway links key areas in Jambi and South Sumatra. Although roads are reasonable, distances are great and, except to Bandung, most visitors travel by air outside Jakarta. Secondary roads are frequently impassable in the rainy season.

Buses: Express coach services link the main towns. Local bus services are inexpensive, but their use is complicated, they are often crowded, and service may be interrupted in the rainy season. For short distances, three-wheelers called *bejajs* are available.

Rail: The rail network, limited to Java, Sumatra and Madura, comprises 8600 km of track, mostly on Java. Java and parts of Sumatra have air-conditioned express rail services with sleeping and dining cars only between major cities. There are several trains daily from Jakarta to Bandung and Surabaya. Ordinary services can be slow, with many stops.

Trade fairs: April 22-26, 1986, Construction Indonesia, 3rd International Construction, Building Municipal and Public Works Exhibition, Jakarta; May 6-10, Mining Indonesia, 2nd International Mining and Minerals Recovery Exhibition, Jakarta; September 16-20, Business Indonesia, 4th International Business and Office Equipment Exhibition, Jakarta; September 16-20, Computer Indonesia, 5th International Business

and Personal Computer Exhibition, Jakarta; October 21-25, Forestry Indonesia, 3rd International Forestry and Timber Processing Exhibition, Jakarta; October 21-25, Agro-Industry Indonesia, 3rd International Agricultural and Primary Food Processing Exhibition, Jakarta; November 25-29, Production Indonesia, 3rd International Production and Components Engineering, Factory Equipment, Power Transmission, Hydraulics and Pneumatics, Materials Handling and Factory Maintenance Exhibition, Jakarta; November 25-29, Chemical Indonesia, 2nd International Chemical and Process Engineering and Instrumentation Exhibition, Jakarta; November 25-29, Training Indonesia, 3rd International Industrial, Technical and Vocational Training Exhibition, Jakarta; November 25-29, Textile Indonesia, 3rd International Textiles Machinery, Garment-making and Finishing Equipment Exhibition, Jakarta.

External trade:
Exports: Main exports are oil and oil products (64.1 per cent of 1983 total, natural gas (12.2 per cent), forestry products (5.2 per cent), rubber (4 per cent), coffee (2 per cent), tin (1.5 per cent), fish and fish products (1.1 per cent), tea and copper. Main destinations are Japan (45.8 per cent of 1983 total), US (20.2 per cent), Singapore (14.8 per cent), Republic of Korea (1.6 per cent), Germany FR (1.2 per cent), Australia and UK.

Imports: Main imports are machines (8.4 per cent of 1983 total), motors and motor vehicles (4.6 per cent), iron and steel bars (3.7 per cent), chemicals (2.8 per cent), rice (2.3 per cent), iron and steel pipes (2.1 per cent) and cotton yarn and fabrics (1.6 per cent). Main sources are Japan (23.2 per cent of 1983 total), Singapore (21.2 per cent), US (15.5 per cent), Saudi Arabia (15.5 per cent), Germany FR, France, Republic of Korea, Taiwan, Australia and UK.

Courier services:
Birokta Semesta PT, Jalan H R Rasuna Said Setiabudi Building, Jakarta (tel: 517389). City Link Indo PT, Jalan Thamrin Wisata Hotel, Jakarta (tel: 333432). Inter Pacific Citra PT, Jalan Panglima Polim Raya 15, Jakarta (tel: 735613).

Interpreter services:
Commercial Advisory Foundation in Indonesia (CAFI), Jalan Probolinggo 5, Jakarta (tel: 344885). Henry Suryopranoto SH Associates, Jalan Hayam Wuruk, Harco Building D34-35, Jakarta (tel: 656021).

Banks: Central Bank Bank Indonesia, 2 Jalan M H Thamrin, Jakarta (tel: 372408; telex: 44164).



The banking area of central Jakarta

How to do business

MAKE FRIENDS, not waves. Acceptance of such advice becomes obvious eventually to expatriate businessmen operating in Indonesia, but in many cases it takes too long. And in even more cases the expatriate accepts it but is unable to get his principals offshore to recognize its good sense.

Difficulties, frustration and anger follow and in extreme cases, disaster. It is better to have a good relationship than it is to write a good contract: the Indonesian is more than willing to remove obstacles in the way of concord and is governed by heart rather than head in business affairs.

His upbringing will encourage him to co-operate more as the problems grow. Recourse to the law is a lengthy and tortuous process. Rarely is it quickly effective, and contracts should be drawn that create opportunity rather than penalise non-observance.

No amount of time is too long when choosing a partner or sponsor. Hours of seemingly idle talks with the prospective person, with his organisation, with his friends, his acquaintances, his rivals and his relatives, are richly rewarded.

Understand his aspirations, check his achievements, mention him to officials, customers, clients, bankers and other associates and leave time for their opinions to mature.

It is worth deciding at an early stage whether you wish to be assisted and partnered by expertise, financial strength or political power. No more serious accident can befall a joint venture company than to lose its partners' lively assistance and enthusiasm, for without it you will lose your credence, your point of reference, your contacts and, in

some cases, your entire business. Relations with government must always be smooth and harmonious. To fight it is certain failure, and if circumstances change, you must adapt.

It may be that some government policies are to your disadvantage. It is then that the offices of a good partner, and the exercise of restraint will enable you to survive and prosper.

A guide for overseas visitors who hope to set up business links in Indonesia

The state investment board, BKPM, is the first government department you will encounter. Through it you will be allowed to do business in Indonesia. It saves time if your approach to BKPM first and ask if what you want to do and how you want to do it is permitted. Never present a case that has not already met with their compliance.

Corruption is a word too often used about Indonesia. If you assume it to be obligatory you may be rudely shocked, and once offered where it is unacceptable you are ruined. If you are wrong in scale or approach the difficulties are equally embarrassing.

It is, however, more open than the West would allow. If it is considered necessary to reward an official beyond the measure of his obligations then get your Indonesian acquaintances to negotiate. It is a matter of face to accept such a favour from an expatriate.

The writer of this article is an expatriate businessman responsible for setting up and running a large industrial concern in Indonesia.

WHERE TO GO FOR MORE INFORMATION

WHERE TO go for business advice and information in Jakarta:

American Chamber of Commerce in Indonesia, 3F Citibank Building, 55 Jalan HM Thamrin, Jakarta (tel: 332602; telex: 44368).

ASEAN Secretariat, 6 Jalan Taman Pejambon, PO Box 2072, Jakarta.

Business Advisory Services, Kuningan Plaza Building, Jalan Rasuna Said Kav C-11-14, Jakarta (tel: 5177295).

Central Bureau of Statistics, Jalan Dr Sutomo 18, Jakarta (tel: 372908).

Co-ordinating Board for Capital Investment (Badan Koordinasi Penanaman Modal), Jalan Gatot Subroto 6, Jakarta (tel: 511945, 512008).

(tel: 331403). Department of Communications, Jalan Merdeka Barat 8, Jakarta (tel: 366705, 361308).

Department of Finance, Jalan Lapangan Banteng Timur 2-4, Jakarta (tel: 373309).

Department of Industry, Jalan Gatot Subroto Kav 52-53, Jakarta (tel: 515090).

Department of Mining and Energy, Jalan Merdeka Selatan 18, Jakarta (tel: 305440, 360232).

Department of Trade, Jalan Riwun Rati 5, Jakarta (tel: 341061/2, 341403).

Directorate General of Posts and Telecommunications, Jalan Medan Merdeka Selatan 12 (open 24 hours). Indonesia-British Association (IBA), Lippo Life Building, 2nd Floor, Jalan HR Rasuna Said Kav B-10, Jakarta 12910.

Indonesian Chamber of Commerce and Industry (KADIN), Jalan Medan Merdeka Timur 11, Jakarta (tel: 37456, 367906).

Indonesian Exporters Association (GPET), Jalan Kramat Raya 4-6, Jakarta (tel: 346892, 350099).

Indonesian Importers Association (GENSI), PO Box 2744/DDR, Wisma Nusantara, Jalan Maja Pahit 1, Jakarta (tel: 360643, 367289).

Jakarta Chamber of Commerce and Industry Kadim Jaya Graha, Jalan I H Juanda 38, Jakarta (tel: 385609, 370943).

National Development Planning Board (BAPPENAS), Jalan Taman Surapati 2, Jakarta (tel: 336207).

Pertamina, Jalan Merdeka Timur, Jakarta.

Courier services:
Birokta Semesta PT, Jalan H R Rasuna Said Setiabudi Building, Jakarta (tel: 517389).

City Link Indo PT, Jalan Thamrin Wisata Hotel, Jakarta (tel: 333432).

Inter Pacific Citra PT, Jalan Panglima Polim Raya 15, Jakarta (tel: 735613).

Interpreter services:
Commercial Advisory Foundation in Indonesia (CAFI), Jalan Probolinggo 5, Jakarta (tel: 344885).

Henry Suryopranoto SH Associates, Jalan Hayam Wuruk, Harco Building D34-35, Jakarta (tel: 656021).

Banks: Central Bank Bank Indonesia, 2 Jalan M H Thamrin, Jakarta (tel: 372408; telex: 44164).

JAYAKARTA TOWER HOTEL

JAKARTA

The first hotel on your way in from Soekarno - Hatta International Airport, facing old Betawi and the high rise of Jakarta's panorama, situated in the heart of the business and entertainment district.

A total of 435 newly renovated rooms, including EXECUTIVE ROOMS and SUITES offer modern comforts. Equipped with direct dial telephone, piped-in music, colour TV and an in-house video programme. Coffee Shop & Room Service open 24 hours. Chinese & Japanese Restaurant. Pool Side & Lobby Bar with nightly entertainment and Stardust Discotheque.

For reservation please contact:

Jayakarta Tower Hotel
Jl. Hayam Wuruk 126, Jakarta
Tel. (021) 624408, Telex 41113 JAHOTEL IA

A better place to be

JAKARTA

Where business comes together

Jakarta, capital city of Indonesia. Where business and culture meet in a world of contrasts. A bustling, burgeoning business metropolis. Where traditional customs intermingled with modern methods. Garuda flies there from six European cities seven days a week. And Garuda's new Executive Class sets new standards of comfort for long-haul business travel.

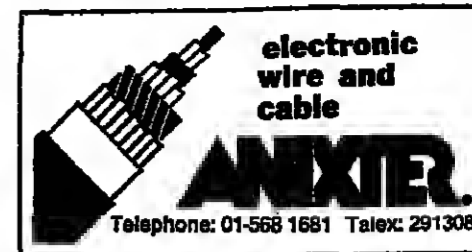
garuda
Indonesian Airways

CARUDA EXECUTIVE CLASS

00
aiti
The
Solemn Broth
Banque Nation
Generale Bank
Nippon Bank N
Banque Generale
SBC Limited
International
Generale Uni
Nippon Financ
Nippon Europ
Nippon Bank Corpo

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Monday March 10 1986



100% YOUR CAPITAL INVESTMENT FOR CAPITAL ALLOWANCES... For details telephone 0726 269104

INTERNATIONAL BONDS

Waiting for good news

BY MAGGIE URRY IN LONDON

"BUY ON the rumours, sell on the news," said a weary bond dealer on Friday evening. Interest rate cuts in West Germany, Japan and the US at the end of last week were just what the bond market had been waiting for...

and the flatness of the yield curve, has been the rash of long-dated deals. Swedish Export Credit (SEK) pushed out to 40 years with its \$200m deal. Borrowers want to lock into low rates for as long as possible while investors are prepared to go long to pick up extra volatility and yield. There was good demand for the bonds early on but by Friday night, with the market weak, SEK's deal did not look so hot.

In the D-Mark sector prices dipped towards the end of the week as this market took a breather too. The first fixed rate 30-year issue in this sector, from the World Bank, was still trading well at around 102% on Friday while the zero coupon issues from the Bundesbahn, via a vehicle company, all traded above issue price.

Ericsson in joint project with US group

By Kevin Done in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, has signed a letter of intent with Digital Equipment Corporation (DEC) of the US, the world's second largest computer manufacturer, to form a joint venture for the development and production of information systems for the banking sector.

EURONOTES AND CREDITS

Flat yield curve slows placings

BY PETER MONTAGNON IN LONDON

A TESTING time has arrived for the fledgling Euronote and Eurocommercial paper market now that interest rates have fallen and the yield curve is flat. Just as this has driven bond market investors into longer and longer dated paper for the sake of extra yield and capital gain, so the opposite is also true. Short-term investments in dollar paper seem less attractive as the currency falls.

Standards somewhere between 20 and 50 per cent. A withdrawal of bank investors could thus cause the market to tighten, with discounts on Libor narrowing. Some bankers say they already detect this trend. A drawing last week by France's Credit National on a \$500m facility arranged in 1984 fetched an average yield of 15 basis points under Libor compared with 17 points three weeks before.

Investors such as corporate treasurers have still generally only dipped their toes into this market and the potential for growth is great. The worsening international debt scene could well encourage them to move further away from interbank deposits, especially if top quality alternatives surface in the Eurocommercial paper market.

The list of these is poised to grow. IBM will shortly start drawing under its \$500m facility. It promises to be a liquid deal that could provide another benchmark. Other US corporations are believed to be eyeing the market closely given the continuing lower yields on longer-dated Eurocommercial paper compared with its Wall Street counterpart.

The question now is whether the next piece of good news can be identified soon so that the whole process of anticipation can start again. Traders were unable to come up with a plausible enough story to get the rush going immediately, and on average prices were barely higher over the week.

Another sign that the market was near a peak, cynical bankers say, was the appearance last week of an issue from General Electric. This borrower, which normally appears in the guise of its Credit Corporation, seems to have the knack of asking bankers to bid for an issue just at the moment when interest rates are at their lowest.

So the tightly priced deal that followed had little chance when the market turned down just as it was launched. By Friday afternoon the bonds were trading at a yield of about 50 basis points more than US Treasuries compared with a spread of only 20 basis points at launch. At that level, though, investors might be prepared to believe they have value.

Ericsson said it was still to be decided which company would market the products of the joint venture in particular countries. The agreement would "take advantage of DEC's traditional strengths in computing, networking and office automation as well as Ericsson's skills in communications, workstations and banking applications."

Losses of \$303m for Wheeling

BY TERRY DODSWORTH IN NEW YORK

WHEELING-PITTSBURGH, the US steel company which applied for protection under Chapter 11 of the US bankruptcy code last year after a prolonged labour dispute, ran up losses of \$303m in 1985, including a \$141m extraordinary charge. In an optimistic statement accompanying the announcement, Wheeling said its new labour contract, signed after protracted negotiations last year, held out the prospect of substantial improvements in the current quarter.

Last year's deficit, the equivalent of \$60.87 a share, underlined a significant decline in the company's performance from 1984 when it registered a loss of \$59.4m or \$14.1 a share. The loss of business brought on by the labour dispute was reflected in a sharp drop in turnover to \$881m from \$1bn in the previous year. In the fourth quarter, losses also jumped, reaching \$94m or \$18.80 a share, after taking in a non-recurring charge of \$56.5m. In the same period of the previous year, the deficit amounted to \$49.8m or \$10.56 a share.

Wheeling listed a variety of items which made up the charges against earnings, including stock write-downs and closure costs. The company said it also faces further claims for its obligations under its pension liabilities, which are now the subject of court discussions with the federal authorities. Wheeling has filed to have the pension obligations taken over by the Pension Benefit Guaranty Corporation (PBGC).

Heineken lifts earnings 16%

By Laura Raun in Amsterdam

HEINEKEN, the Dutch brewery, lifted its earnings by nearly 16 per cent to Fl 285.4m (\$106m) in 1985 from Fl 229m the previous year while sales were relatively flat. Turnover edged up only 4.4 per cent to Fl 6.4bn with a significant share of the gain attributed to the consolidation of a 38 per cent holding in El Agulla, the largest Spanish brewery. Heineken, which has built a heavy presence overseas, views Spain and other Mediterranean markets as promising growth markets but has noted that good profitability from these areas will take time. Trading profit expanded by 10.3 per cent to Fl 412m.

Table with columns: Primary Market, Secondary Market, Codel, Euroclear, Total. Rows for US\$, DM\$, Sfr, Other.

The yield relationship between the Eurodollar and US bond markets is clearly saying something when AAA rated bonds offer such high relative returns. But even so, non-dollar based investors are loath to buy when they believe the currency has further to fall. A rebound in the dollar is the piece of good news that would most help the Eurodollar market and no one really expects that to happen yet.

If the bonds are never repaid, PepsiCo is in effect paying dollar interest at well below market rates. Investors get no advantage from any rise in the dollar. Even so, Credit Suisse was rumoured to be contemplating an increase in the issue and may well have more borrowers who would like to do the same trick. Secondary market prices gained 1/4 to 1/2 point over the week, with zero coupon bonds performing even better.

The first zero coupon bond in the Euro-Danish kroner market was a success when it was launched on Friday. The deal, for Dansk Naturgas, traded around its issue price.

Advertisement for The Washington Post Company. Includes text: "This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons." Details: New Issue / March, 1986. ECU 57,250,000. The Washington Post Company. 8 7/8% Notes Due March 4, 1996. Lists various international banks and financial institutions.

Advertisement for The Sumitomo Trust Finance (H.K.) Limited. Includes text: "All of these Securities have been sold. This announcement appears as a matter of record only." Details: U.S. \$100,000,000. The Sumitomo Trust Finance (H.K.) Limited. 10 1/2% Guaranteed Series A Notes Due 1995 and 100,000 Warrants to Subscribe for U.S. \$100,000,000 10 1/2% Guaranteed Series B Notes Due 1995. Payment of principal and interest unconditionally guaranteed by The Sumitomo Trust and Banking Company, Limited (Sumitomo Shintaku Ginko Kabushiki Kaisha). Lists various international banks and financial institutions.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Pausing to measure the new ground rules

BY THE TIME the Federal Reserve Board moved to cut the US discount rate to 7 per cent last Friday, the US credit markets had already gone through their full repertoire of responses to the news.

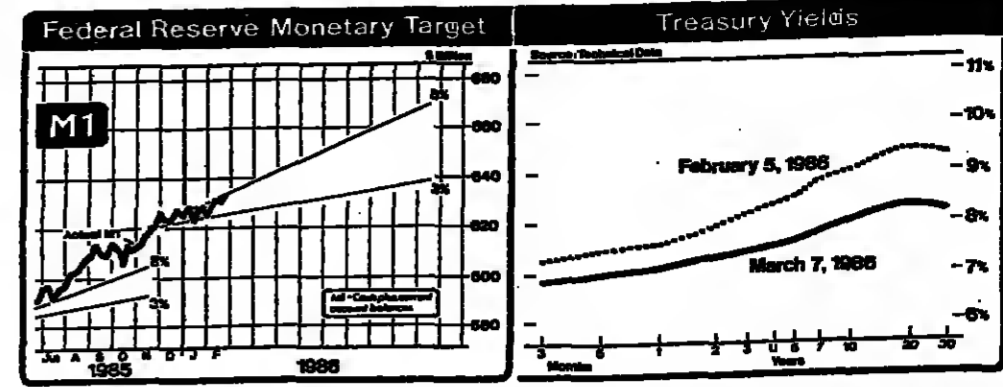
US MONEY MARKET RATES (%) table with columns for instrument, last Friday, 1 week ago, 4 weeks ago, and 12-month high/low.

US BOND PRICES AND YIELDS (%) table with columns for instrument, last Friday, 1 week ago, 4 weeks ago, and 12-month high/low.

Money Supply: In the week ended February 24 M1 rose by \$3.7bn to \$645.4bn.

unusual speed, announcing its decision before the start-up of trading in the morning, rather than after the close.

On the technical side, bonds are also overbought by the fact that there is a heavy supply of corporate issues in dealers' hands with a long queue of additional corporate issues.



At the short end, where the half-point reduction in the discount rate will help to restore a modest upward slope to the yield curve, the Federal funds rate, standing at 8 per cent only three weeks ago, is expected to slide down to trade at around 7.25 per cent.

in the US prime bank rate to 9 per cent on Friday, will help hard-stretched Third World countries with debt repayments tied to the American prime.

to smooth the restructuring of Mexican and other deeply troubled LDC debt, shore up banks, thrifts and the Farm Credit system.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for issuer, amount, price, yield, and other details.

UK GILTS

Table listing UK Gilts with columns for instrument, amount, price, yield, and other details.

All bets off before the Budget and Opec

AFTER TWO weeks in which the London gilts market has moved faster with less reason, Friday's announcements of cuts in the US and Japanese discount rates, following the German lead, the previous day, drew only a muted response.

the interest rate differential has widened should underpin sterling until then. After that there is really nothing stopping the cut of half a per cent.

ism membership which would add icing to the cake. If Opec cuts oil production, and Mr Lawson presents a cautious Budget with a recipe that makes sense, he sees not just one half point cut in base rates but several.

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

WARRANTS: Equity warrant price as current premium over current share price. Bond warrant ex-yield-warrant yield as current warrant price.

The Japan Development Bank advertisement featuring the bank's logo, issue details for US \$50,000,000 8 1/2 per cent Guaranteed Notes 1996, and a list of subscribers.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

SBC acts early to secure equity needs

SWISS BANK CORPORATION (SBC) last week announced the biggest rights issue in its history...

perencing a fast growth in off-balance-sheet business. "We have a feeling that the supervisors are going to get tougher. A lot of banks could be going to the market for equity in the next year or two...

The restriction does not apply to the 1.5m participation certificates the board wants the authority to issue. These can be used in authorised form as backing for equity-linked bonds...

No final decision has been taken about listings elsewhere but "conceptually" Dr Streichenberg sees "a lot of sense in listing our shares in different time zones" from Europe...

New York would be an obvious choice. SBC employs 1,100 people in North America, where its operations are by far the largest among the Swiss banks...

William Dullforce

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount, Maturity, Av. Life, Coupon, Price, Book Runner, Offer yield. Lists various international bond issues from S.S. Dollars to Yen.

Sealion Hotels' shares likely to be suspended

BY CHRIS SHERWELL IN SINGAPORE

SHARES in Sealion Hotels, the quoted Singapore company which owns the Hyatt Regency Hotel, are likely to be suspended today following the High Court appointment of receivers last Friday at Sealion Investments, its former subsidiary...

This has hurt Sealion Hotels, which guaranteed the estimated \$800m (US\$50m) borrowing of Sealion Investments. Last month Datuk Yap Yong Seong, another Malaysian Chinese businessman, lost control of both companies...

Sime Darby cuts payout as first-half profit dives

BY OUR FINANCIAL STAFF

SIME DARBY, the Malaysian diversified group whose interests range from engineering to plantations and property, reported over the weekend a sharp drop in its first half pre-tax profits as a result of weak commodity prices, and cut its dividend...

declined to 1.05bn ringgit from 1.21bn ringgit a year earlier. Falling palm oil prices, which Sime warned would leave it with a further decline in the second half of the financial year, were the main reason for a halving of the plantations division's earnings from 85.4m ringgit to 44.8m ringgit...

Power Corp advances

POWER CORPORATION OF Canada, controlled by Mr Paul Desmarais, the Montreal financier, reported 1985 net profits of C\$152m (US\$107m) or C\$2.56 a share against C\$128m or C\$2.50 a year earlier, including special gains of C\$4.2m against C\$4.5m, writes Robert Gibbons in Montreal...

The higher earnings reflect gains by Power Financial Corporation, the financial services group; Consolidated Bathurst; C. B. Pak, the pulp and paper and packaging group; and gains on the sale of shares in Canadian Pacific and Power Financial.

Aluminium capacity boost

MR RANDOLPH, president of Reynolds International, said his company was planning to invest \$135m in Alcaza, a joint venture aluminium company located in Venezuela's Guayana heavy industrial zone, writes Joe Mann in Caracas...

Reynolds said the Venezuelan government are also discussing possible stock swaps in Reynolds companies in Europe.

Special Subscription Delivery Service of the Financial Times in MILAN. For further information contact Intercontinental S.p.A. Milan. Tel: (02) 688 7041 Telex: 330467

US DOLLAR THE WORLD VALUE. IN THE FINANCIAL MARKET.

CNT Caisse Nationale des Télécommunications. US\$500,000,000 Multiple Option Facility. Unconditionally guaranteed by The Republic of France. Mandated Banks: Morgan Guaranty Trust Company of New York, Midland Bank SA, Société Générale. Lead Managed by: Algemeene Bank Nederland N.V., Banca Commerciale Italiana, Banco di Roma (France) S.A., BankAmerica Capital Markets Group, Bank of Tokyo International Limited, Banque Indosuez, Banque Nationale de Paris, Canadian Imperial Bank Group, Chase Investment Bank, Crédit Agricole, Crédit Commercial de France, Crédit Lyonnais, Crédit Suisse, The Dai-ichi Kangyo Bank, Limited, First Chicago Limited, The Fuji Bank, Limited, Generale Bank/Banque Belge Limited, Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft, IBI International Limited, Istituto Bancario San Paolo di Torino, Lloyds Merchant Bank Limited, Marine Midland Bank, N.A., Midland Bank SA, The Mitsui Bank, Limited, Morgan Guaranty Trust Company of New York, Société Générale, Standard Chartered Bank, Sumitomo Bank, The Taiyo Kobe Bank, Limited, Toronto Dominion International Limited, Union Bank of Switzerland, Westdeutsche Landesbank Girozentrale. Managed by: American Express Bank/Trade Development Bank (France), Caisse Centrale des Banques Populaires, Kansallis-Osake-Pankki. Co-Managed by: Banque Bruxelles Lambert S.A., Kuwait-French Bank, PKBanken International (Luxembourg) S.A., Swiss Bank Corporation International Limited. Funds Provided by: Algemeene Bank Nederland N.V., Banca Commerciale Italiana, Bank of America NT & SA, Banque Européenne de Tokyo S.A., Banque Franco-Allemande S.A., Banque Indosuez, Banque Nationale de Paris, Canadian Imperial Bank of Commerce (International) S.A., The Chase Manhattan Bank, N.A., Crédit Agricole, Crédit Commercial de France, Crédit Lyonnais, Crédit Suisse, The Dai-ichi Kangyo Bank, Limited, First Chicago Limited, The Fuji Bank, Limited, Generale Bank S.A./N.V., Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft, The Industrial Bank of Japan, Limited, Istituto Bancario San Paolo di Torino, Lloyds Bank International (France) Limited, Marine Midland Bank, N.A., Midland Bank SA, The Mitsui Bank, Limited, Morgan Guaranty Trust Company of New York, Société Générale, Standard Chartered Bank, The Sumitomo Bank, Limited, The Taiyo Kobe Bank, Limited, Toronto Dominion International Limited, Union Bank of Switzerland, American Express Bank/Trade Development Bank (France), Caisse Centrale des Banques Populaires, Kansallis-Osake-Pankki, Banco di Roma (France) S.A., Banque Bruxelles Lambert S.A., Kuwait-French Bank, PKBanken International (Luxembourg) S.A., Swiss Bank Corporation, Banco di Roma S.p.A., Banca di Roma International S.A. Facility Agent: SOCIÉTÉ GÉNÉRALE. Controller: CAISSE DES DÉPÔTS ET CONSIGNATIONS. Tender Agent: MORGAN GUARANTY TRUST COMPANY OF NEW YORK. This announcement appears as a matter of record only. December 1985

CPI U.S. \$ 100,000,000 Corporate Property Investors 10 5/8% Notes due 1992. LAZARD BROTHERS & CO., LIMITED. MORGAN GUARANTY LTD. AMRO INTERNATIONAL LIMITED. BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (S.A.I.L.). BANQUE BRUXELLES LAMBERT S.A. CREDIT SUISSE FIRST BOSTON LIMITED. DEUTSCHE BANK CAPITAL MARKETS LIMITED. KUWAIT FOREIGN TRADING CONTRACTING AND INVESTMENT CO. S.A.L.L. KUWAIT INVESTMENT COMPANY (S.A.K.). MERRILL LYNCH CAPITAL MARKETS. THE NATIONAL BANK OF KUWAIT S.A.K. NOMURA INTERNATIONAL LIMITED. ORION ROYAL BANK LIMITED. SOCIÉTÉ GÉNÉRALE. SUMITOMO TRUST INTERNATIONAL LIMITED. SWISS BANK CORPORATION INTERNATIONAL LIMITED. UNION BANK OF SWITZERLAND (SECURITIES) LIMITED. AL-MAL GROUP. ARABIAN GENERAL INVESTMENT CORPORATION. JULIUS BAER INTERNATIONAL LIMITED. BANCA COMMERCIALE ITALIANA. BANCA MANUSARBI & C. BANK OF HELSINKI LTD. BANK LEU INTERNATIONAL LTD. BANK OF TOKYO INTERNATIONAL LIMITED. BANQUE GÉNÉRALE DU LUXEMBOURG S.A. BANQUE GUTZWILLER, KURZ, BUNGENER (OVERSEAS) LIMITED. BARING BROTHERS & CO., LIMITED. CHEMICAL BANK INTERNATIONAL LIMITED. COMPAGNIE DE BANQUE ET D'INVESTISSEMENTS, CBI. CREDIT COMMERCIAL DE FRANCE. CRÉDIT INDUSTRIEL O'ALSACE ET DE LORRAINE. DAIWA EUROPE LIMITED. EUROMOBILIARE. GENERALE BANK. GOLDMAN SACHS INTERNATIONAL CORP. GREAT PACIFIC CAPITAL S.A. HANSELBANK N.W. (OVERSEAS) LTD. KUWAIT INTERNATIONAL INVESTMENT CO. S.A.K. LLOYDS MERCHANT BANK LIMITED. ITCB INTERNATIONAL LIMITED. MIRVAL & CIE S.A. THE NIKKO SECURITIES CO., (EUROPE) LTD. NIPPON CREDIT INTERNATIONAL (HK) LTD. NORDDEUTSCHE LANDESBANK GIROZENTRALE. SAL. OFFENHEIM JR. & CIE. PAINEWEBBER INTERNATIONAL. SCHWEIZERISCHE HYPOTHEKEN-UND HANDELSBANK. SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED. SPAREKASSEN SDS. VEREINS-UND WESTBANK AKTIENGESELLSCHAFT. M. M. WARBURG-BRINGMANN, WIRTZ & CO. WESTDEUTSCHE LANDESBANK GIROZENTRALE. YAMAICHI INTERNATIONAL (EUROPE) LIMITED. 27th November, 1985. These securities are not registered under the Securities Act of 1933 and may not be offered or sold in or to nationals or residents of the United States. This announcement appears as a matter of record only.

RECENT ISSUES

UK COMPANY NEWS

Exco denies rumour of American Express link

Exco International, the money broking group which on Wednesday called off merger talks with Morgan Grenfell, denied yesterday that American Express, the US financial services conglomerate, was a possible alternative partner.

BOARD MEETINGS table with columns for Company, Date, and Chairman/Secretary.

money brokers. These rules, drawn up in the early 1970s by a former governor of the Bank, aim to prevent conflicts of interest between the brokers and their clients, the banks.

Alliance Trust earnings improvement

Earnings for the year ended January 31 1986 at Alliance Trust are in line with forecast, increasing from 17.60p to 20.91p.

Hawker Canada's net income down by 31%

Hawker Siddeley Canada, which is 59 per cent owned by the UK combine, reports a 31 per cent decline in net attributable income for 1985.

Gelfer in agreed bid for David Dixon

A & J Gelfer, the Glasgow-based textile manufacturer, is to make an agreed bid worth £7.1m for David Dixon Group, the Yorkshire clothing company, just over five weeks after earlier merger talks were abandoned.

Hambros planning to enfranchise shares

HAMBROS, the merchant bank, has announced details of a proposed share exchange which will enfranchise its limited voting shares and pave the way for Hambro Trust to sell its shareholding.

L & G and Standard Life raise terminal bonuses

BOTH Standard Life Assurance Company, Scotland's largest life company, and Legal & General Group, Britain's second largest life company, have unchanged reversionary bonuses for 1985.

Barclays Merchant shows 57% growth

All divisions of Barclays Merchant Bank contributed positively to record results achieved in 1985. Pre-tax profits were £21.2m, a growth of 57 per cent over the £13.5m of the previous year.

SHARE STAKES

Changes in company share stakes announced over the past week include: Annita Stakis sold 1m ordinary at 70p.

Noble & Lund

Record profits of £278,396 pre-tax were achieved by Noble and Lund in 1985, compared with £59,147 previously.

COMPANY NEWS IN BRIEF

FLEMING MERCANTILE Investment Trust reported net revenue to January 31 1986 up 536,400 at 25.73m, with a final dividend of 3.35p (2.28p).

F.T. Share Information

The following securities have been added to the Share Information Service: Metal Bulletin (Newspapers, Publishing), Nationwide Building Society 12 1/2 per cent 9/2/87.

FINANCIAL DIARY FOR THE WEEK

Table listing financial events for the week, including company meetings, dividend payments, and interest rate changes.

EQUITIES

Table of equity prices for various stocks, including Macro 450, American Medical Int, and others.

FIXED INTEREST STOCKS

Table of fixed interest stock prices, including Allied Lon Prop, American Medical Int, and others.

RIGHTS OFFERS

Table of rights offers for various companies, including OAB Inv, High Point Services, and others.

Announcements data usually has day for dealing time of stamp duty. Figures based on prospectus estimates. Assumed dividend and yield. Forecast dividend based on earnings reported by latest interim statement.

PENDING DIVIDENDS

Table of pending dividends for various companies, including Shanghai Bkg, Horizon, and others.

MULTIBANCO COMERMEX, S.A. Floating Rate Subordinated Notes due 1992. Includes logo and contact information.

Wells Fargo & Company U.S. \$200,000,000 Floating Rate Subordinated Notes due 2000. Includes logo and interest rate details.

MITCHELL COTTS Unaudited Interim Results for the six months ended 31st December 1985. Includes financial tables and company information.

Granville & Co. Limited Member of the National Association of Security Dealers and Investment Managers. Includes contact details.

Over-the-Counter Market Table listing various securities and their prices.

FINANCIAL TIMES STOCK INDICES Table showing indices for Government Secs, Fixed Interest, Ordinary, Gold Minos, FT-All Shs, and FT-SE100.

U.S. \$42,000,000 Short-term Guaranteed Notes issued in Series under a U.S. \$280,000,000 Note Purchase Facility by Mount Isa Mines (Coal Finance) Limited.

THIS ADVERTISEMENT IS PUBLISHED BY MORGAN GRENFELL & CO., LIMITED ON BEHALF OF UNITED BISCUITS (HOLDINGS) PLC. THE DIRECTORS OF UNITED BISCUITS (HOLDINGS) PLC ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS ADVERTISEMENT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE) THE INFORMATION CONTAINED IN THIS ADVERTISEMENT IS IN ACCORDANCE WITH THE FACTS. THE DIRECTORS OF UNITED BISCUITS (HOLDINGS) PLC ACCEPT RESPONSIBILITY ACCORDINGLY.

There are 500 words in this advertisement.
 Each one is worth reading very, very carefully. Because they develop an argument which, when followed through to its logical conclusion, could lead the way to the formation of a new company with an annual turnover well over £6,000,000,000. (Half of which comes from related businesses.)
 The two companies are United Biscuits and Imperial.
 United Biscuits are front-runners in the food market and expanding fast in leisure.
 Imperial are leaders in the food,

of America.
 One of those brands is Pizzaland whose restaurant opening programme will be accelerated.
 On the subject of overseas markets, United's growing presence in North America, Hong Kong, Japan and the Third World will open new doors for Imperial. Much as their world markets will be introduced to us.
Two frozen peas in a pod.
 One of the fastest growing world markets is Frozen Foods.
 The home market as much as the catering market.

Consider these 500 words carefully. Each one could be worth £12 million.

leisure and tobacco markets. (See? Common ground already.)
 By joining forces, our combined turnover, based on 1985 sales, will be well above £6 billion.
One and one is more than two.
 From this point on, the words grow progressively more valuable.
 If our combination stood only for a pooling of sales, our argument would be strong.
 What makes it incontrovertible and so potentially fruitful, is how those common resources could be exploited.
 Imperial presently control over 6,000 pubs, restaurants and shops.
 Ready markets for United Biscuits' crisps, snacks, confectionery, pizzas and burgers.
 Simply by coming together, we could substantially increase our penetration into these outlets.
Two vans can't live as cheaply as one.
 All those pubs and restaurants, as well as a nationwide network of tobacconists, need regular replenishment.
 By bringing together our distribution and wholesale operations, we anticipate an impressive reduction in overheads.
 Imperial's strong cash flow will provide a rich source of funds to invest back into our brands both at home and in the United States

Imperial, with Ross and Youngs, are strong in supermarkets. We're both growing fast in the catering trade.
 Together, we can consolidate our successes and create a giant bigger than the jolly green one.
Even more resourceful.
 As you read this, there's a team of people at United Biscuits working hard on new product development. Our record testifies to their successes in the past.
 Round the corner, at Imperial, another team is busy on their new product development.
 It's easy to imagine how the pooling of those resources could benefit both companies.
Ask the other half.
 It's not just United who want Imperial.
 It's Imperial who want United.
 Both of us know just how well suited we are to each other.
 Just how powerful a force we can be together.
 However many words others may give you, in the long term they just can't add up to the same value.
 And in the long run, it's not words that count.
 But the value behind them.
United Imperial
 THE LONGER YOU LOOK AT IT,
 THE MORE IT MAKES SENSE.

Trust Monk to take constructive ideas and build on them. Monk. A Monk of Companies plc. P.O. Box 41, Wellington, Cheshire WA1 4QJ. Tel. 0925-83200

CONSTRUCTION CONTRACTS

Bolton market development

Wimpey Construction Management has been awarded a management contract valued at £2.2m by Grosvenor Developments for the development of The Market Place, Bolton. The contract is due for completion in spring 1988. The new shopping centre will have 30 shops totalling 12,000 sq metres arranged on two levels on either side of a shopping mall and built over a basement service area.

Gas and water mains

EDWARD THOMPSON has secured the following contracts totalling some £5.7m for civil engineering work: British Gas East Midlands has placed an order for the laying of gas mains and gas services with other ancillary works in two zones centred on the cities of Derby and Nottingham. The contract, commencing in the spring and lasting for two years, will be of an approximate value approaching £2m and be controlled from the head office of Derby and s/o office at Nottingham. The Anglian Water Authority, Oundle Division, Northamptonshire, has accepted a tender of £500,000 for

Civic centre in Taunton

JOHN LAING CONSTRUCTION has started work on a £3.5m civic centre for the Taunton Deane Borough Council. This design and build contract involves construction of a civic centre. The building will be a two- and three-storey structure of traditional construction with faced brickwork and a pitched roof. Laing will fit out the offices and a civic suite, computer room and emergency headquarters. Included in the provision of 300 car parking spaces, landscaping, service roads and drainage. After the contract is

Eastcheap office block

An £8.5m contract for a prestige City office block, to be known as St George's Court, in Eastcheap, has been won by John Mowlem and Company. The building will have about 80,000 sq ft of lettable floor area and be controlled from a central courtyard with a fountain. Windows will have bronze-coloured frames with tinted glass and there will be window-cleaning cradles operating from two levels. Part of the basement will be a car park, with entrance from a lift in a service yard. Work has started for completion in early June 1987.

Northwest Holst Construction

Northwest Holst Construction is carrying out work to improve deprived areas of Inner Liverpool under a contract worth over £2m. The Everton Park project for the City Council, is part of an urban regeneration strategy and involves upgrading and developing 17 priority areas of the inner city. This second phase of the 100-acre park for the northern section of the city has started and will be complete by midsummer. Work involves demolition, major land formation and contouring with hard and soft landscaping, feature walks, decorative fencing and the planting of some 1,700 trees. Nearly 90,000 cu metres of material will be moved and shaped, which includes both the topsoil and subsoil. A feature of the work is that the bulk of all material involved will be that which was excavated from the site initially.



Projects worth over £2m have been awarded to ERIGGS AMASCO, a Tarmac company. The largest, of £850,000, is for re-roofing the Royal Commonwealth Pool for Edinburgh District Council. Work starts this month but will be halted for the Commonwealth Games this summer and finished in the autumn. At Forthlethen, near Aberdeen, the company will be putting a new roof on a superstore, for Hall and Tawse Construction, worth about £330,000. Other contracts include roofing and wall cladding work on a new warehouse and distribution centre at Adlington, near Macclesfield, for Wiltshire Construction (£335,000); and roofing and exterior wall cladding on car park, superstore and shopping development at Margate, for Wimpey Construction (£265,000).

Water pipe replacement

Contracts worth £3.1m have been awarded to SHANES & WELWAN (CONTRACTORS) of Derby for the replacement of four kilometres of concrete pipe-line for the Anglian Water Authority. The pipeline has a diameter of 1,000 mm and incorporates valves and chambers. It will link Salcey Reservoir with Deansboro Store at Station Road, Derby. The contract includes a factory for Blandburgh and Nemo at Corby, 10 factories in Redcar for Langbath Borough Council, refurbishment at Barlborough Prison, Glasgow, and, at Irvine New Town, civil engineering work for Sir Robert McAlpine & Sons at St Enoch Sq, Glasgow.

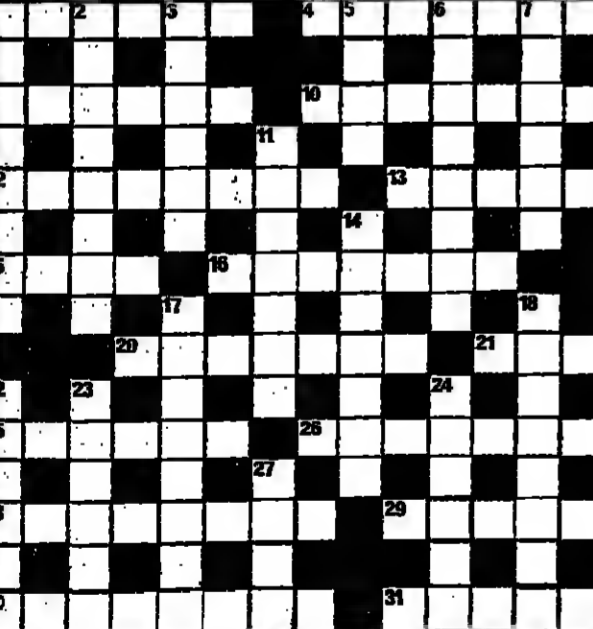
JOHN WILLMOTT CONSTRUCTION has been awarded a contract worth about £1.7m by J. Seabright for building a Deansboro Store at Station Road, Derby. The contract, awarded by E. Synes, a subsidiary of the John Willmott Building Group, has a £1.5m contract from British Telecom for a central warehouse, two-storey office and external parking, of Cody Rd, E14.

Four contracts, together worth nearly £2m, have been awarded to THE H. R. G. H. T. S. I. E. MECHANICAL AND ELECTRICAL SERVICES GROUP, an environmental engineering subsidiary of George Wimpey. Largest is a £1.2m contract for Crest Hotels, for all mechanical and electrical services for the new Crest Hotel at York. Work also includes installation of tele-vision and video units in the 127 bedrooms and three conference rooms and is due for completion by mid-1988. Two contracts totalling £1.1m have been awarded by the Northern Health Authorities. They include mechanical work to both the HSDU and new kitchen extension at Fairfield Hospital, Bury and alterations and extensions in upgrading the boilerhouse at Winterdon Hospital, Sedgfield. Co Durham. Both contracts are due to be completed by early 1987. Walton Prison at Liverpool requires refurbishment to "bring a contract worth about £250,000 to fruition. The upgrading of heating and water services is to be carried out by August.

THE FINANCIAL TIMES

is proposing to publish a Survey on GHANA on Monday May 19 1986. Advertising copy date for this Survey is Monday April 21 1986. For further information please contact: High Sutton, Area Manager - Africa, Financial Times, Bracken House, 10 Cannon Street, London EC4A 3DF. Tel: 01-248 8000 ext. 3238 Telex: 885033

F.T. CROSSWORD PUZZLE No. 5968



ACROSS
1 Solicits places for petrol with 4 (6)
4 See 1 ac., 1d., 13, 14, 18, 22, 27, 28, 29, and 31 (past?) (8)
9 Motive connected with a Society performing... (6)
10 acts with dirt being thrown to harass (8)
12 Fumigated religiously and handle angry (8)
13 Handle pointer with 4 (6)
15 Person silly to continue (4)
16 PCs lied unexpectedly although unlit (7)
20 Imagined malice could be a this with 4 (7)
21 The part of fakir on stage is sters (4)
23 15 shows it taking girl round North America (5)
25 Eat teeth bashed when he was in office? (3, 5)
28 Alien American patroller in woods with 4 (8)
29 Fugitive's women with 4 (6)
30 Did sarge, turning nasty, follow of rank? (8)
31 Delivered secretly to presage with 4 (6)
DOWN
1 Bearing front part of coach with 4 (8)
2 Action when going to sea-

THE BODY SHOP INTERNATIONAL PLC (Incorporated in England under the Companies Act 1948 to 1985 No. 1284717) INTRODUCTION TO THE OFFICIAL LIST SHARE CAPITAL Ordinary shares of 5p each £ 12,500,000 Authorised 625,000 10,000,000 Issued allotted and fully paid 500,000

USS 25,000,000 THE FORMOSA FUND (a contractual securities investment trust fund established under and governed by the laws of the Republic of China in Taiwan) managed by KWANG HUA SECURITIES INVESTMENT & TRUST CO., LTD. Issue of 2,500,000 Units initially evidenced by International Depositary Receipts at an issue price of US\$10.275 per Unit

FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts such as Abbey Unit Tr. Mgrs., Brown Shipley & Co Ltd, and others, with columns for Name, Price, and other financial details.

AUTHORISED UNIT TRUSTS & INSURANCES

Main table listing various unit trusts and insurance policies with columns for name, details, and prices. Includes sub-sections for 'INSURANCES' and 'PROPERTY GROWTH ASSURANCE CO. LTD - CONTD'.

INSURANCES

PROPERTY GROWTH ASSURANCE CO. LTD - CONTD

MANUFACTURERS LIFE ASSURANCE CO. (UK) - CONTD

Table of unit trusts and insurance policies on the left side of the page.

Table of unit trusts and insurance policies in the middle-left section.

Table of unit trusts and insurance policies in the middle-right section.

Table of unit trusts and insurance policies on the right side of the page.

Table of unit trusts and insurance policies on the far right side of the page.

INSURANCE, OVERSEAS & MONEY FUNDS

Table of insurance and overseas funds including: Sun Life of Canada, Swiss Life, Zurich American, and various international investment funds.

Table of insurance and overseas funds including: The English Trust Group, BNP Paribas, and various international investment funds.

Table of insurance and overseas funds including: Manulife, Sun Life of Canada, and various international investment funds.

Table of money market funds including: Money Market Trust Funds, Money Market Bank Accounts, and various short-term investment funds.

OFFSHORE AND OVERSEAS

TRADITIONAL OPTIONS

Table of traditional options including: 3-month call rates, various call and put options, and interest rate derivatives.

NOTES: Prices are in pence unless otherwise indicated and show movement since 10.00 a.m. on the previous day.

LONDON SHARE SERVICE

ENGINEERING - Continued INDUSTRIALS - Continued

BRITISH FUNDS

Shorts (Lives up to Five Years)

Table of British Funds with columns for Name, Price, and Yield.

Five to Fifteen Years

Table of British Funds (Five to Fifteen Years) with columns for Name, Price, and Yield.

Fifteen Years

Table of British Funds (Fifteen Years) with columns for Name, Price, and Yield.

Undated

Table of British Funds (Undated) with columns for Name, Price, and Yield.

Index-Linked

Table of British Funds (Index-Linked) with columns for Name, Price, and Yield.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues with columns for Name, Price, and Yield.

CORPORATION LOANS

Table of Corporation Loans with columns for Name, Price, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans with columns for Name, Price, and Yield.

LOANS

Table of Loans with columns for Name, Price, and Yield.

Public Board and Ind.

Table of Public Board and Industrial Loans with columns for Name, Price, and Yield.

Financial

Table of Financial Loans with columns for Name, Price, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails with columns for Name, Price, and Yield.

AMERICANS

Table of American Stocks with columns for Name, Price, and Yield.

AMERICANS - Cont.

Table of American Stocks (Continued) with columns for Name, Price, and Yield.

CANADIANS

Table of Canadian Stocks with columns for Name, Price, and Yield.

BANKS, HP & LEASING

Table of Banks, Hire Purchase, and Leasing with columns for Name, Price, and Yield.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits with columns for Name, Price, and Yield.

Public Board and Ind.

Table of Public Board and Industrial Loans with columns for Name, Price, and Yield.

Financial

Table of Financial Loans with columns for Name, Price, and Yield.

AMERICANS

Table of American Stocks with columns for Name, Price, and Yield.

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, and Roads (Continued) with columns for Name, Price, and Yield.

GRAPERY & STORES - Cont.

Table of Grapery and Stores (Continued) with columns for Name, Price, and Yield.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics with columns for Name, Price, and Yield.

GRAPERY AND STORES

Table of Grapery and Stores with columns for Name, Price, and Yield.

ENGINEERING

Table of Engineering Stocks with columns for Name, Price, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers with columns for Name, Price, and Yield.

INDUSTRIALS (Miscellaneous)

Table of Industrial Stocks (Miscellaneous) with columns for Name, Price, and Yield.

ENGINEERING - Continued

Table of Engineering Stocks (Continued) with columns for Name, Price, and Yield.

INDUSTRIALS - Continued

Table of Industrial Stocks (Continued) with columns for Name, Price, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, and Etc. with columns for Name, Price, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers with columns for Name, Price, and Yield.

INDUSTRIALS (Miscellaneous)

Table of Industrial Stocks (Miscellaneous) with columns for Name, Price, and Yield.

ENGINEERING - Continued

Table of Engineering Stocks (Continued) with columns for Name, Price, and Yield.

INDUSTRIALS - Continued

Table of Industrial Stocks (Continued) with columns for Name, Price, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, and Etc. with columns for Name, Price, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers with columns for Name, Price, and Yield.

INDUSTRIALS (Miscellaneous)

Table of Industrial Stocks (Miscellaneous) with columns for Name, Price, and Yield.

INDUSTRIALS - Continued

Table of Industrial Stocks (Continued) with columns for Name, Price, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, and Etc. with columns for Name, Price, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers with columns for Name, Price, and Yield.

INDUSTRIALS (Miscellaneous)

Table of Industrial Stocks (Miscellaneous) with columns for Name, Price, and Yield.

Main financial data table with columns for various sectors: INDUSTRIALS, LEISURE, PROPERTY, INVESTMENT TRUSTS, FINANCE, LAND, MINES, OIL AND GAS, SHIPING, SOUVENIR, SOUTH AFRICAN, TEXTILES, TOBACCO, TRUSTS, FINANCE, LAND, PLANTATIONS, OVERSEAS TRADERS, MISCELLANEOUS, TITAN, and REGIONAL & IRISH STOCKS. Each sector contains a list of companies with their stock prices and other financial metrics.

Regional & Irish Stocks
The following has selection of Regional and Irish stocks. The letter below each stock name indicates its market listing.

INTERNATIONAL APPOINTMENTS

New president at Benguet.

BY SAMUEL SENOREN IN MANILA
BENGUET CORPORATION, the Philippines' second largest mining company with annual revenues in excess of \$300m, is now headed by a Harvard-trained executive, Mr Delfin Lazaro who has taken over as president and chief executive officer.



Mr Jaime Ongpin (left), now in the Philippines Cabinet, has stepped down at Benguet; Mr Delfin Lazaro steps up

Restructuring takes broad sweep at GTE

BY OUR FINANCIAL STAFF
GTE CORPORATION, the Connecticut-based telecommunications concern, has elected Mr James L. Johnson president and chief operating officer.

New system for Emhart

EMHART CORPORATION, the diversified industrial multinational with headquarters in Connecticut, has established an office of the chairman, made up of Mr Peter L. Scott, the chairman and chief executive, Mr William C. Lichtenfels, president and chief operating officer, and Mr Stephen J. Ruff, vice chairman and chief administrative officer.

Mitsubishi presidency to change

MR YOHEI MIMURA, president of Mitsubishi Corporation, the largest of Japan's trading houses, has announced that he is to retire from the post at the end of June, when his term of office expires, reports Kyodo from Tokyo.

BMW sales director to quit

BY JOHN GRIMMIS
BMW'S SALES and marketing director Mr Eberhard von Koerber, is to leave the Munich-based car company at the end of this month. Its management board chairman, Mr Eberhard von Kuenheim, is temporarily to take over Mr von Koerber's responsibilities.

It is usual for a deputy to be made up to a full board member in the January following his appointment. This did not happen in Mr von Koerber's case in January, 1985 - nor at the start of this year. Mr von Koerber, 57, who has been with BMW for 14 years, was appointed to his present post in March 1984. He was also made a deputy member of the management board.

Perkins president North America

MR ROGER L. HOWSMON has been appointed president of Perkins Engines Inc, the supplier of diesel engines in the US and Canada and part of the Perkins Engines group of the UK.

FT FINANCIAL TIMES CONFERENCES THE FOURTH MANUFACTURING AUTOMATION FORUM

London, 14 & 15 April, 1986
The Financial Times Manufacturing Automation Forum is being arranged in London on 14 & 15 April, 1986 for the fourth time, though with a new format. The first day is to be devoted to a high-level review of the problems and challenges facing senior management in justifying the implementation of automation.

- Justifying Automation: Is it a necessity today or a luxury for tomorrow? Why not wait until the technology is mature? Can manufacturing be a competitive weapon? Professor Gordon M Edge PA Technology
FINANCIAL INVESTMENT JUSTIFICATION: Automation systems are expensive and normally cannot meet traditional investment payback criteria. Are there other ways to account for automation? What is the worth of better products, more reliable delivery? How do you evaluate a strategic asset? Mr James A Brinson CAM-1 Mr John Towers Perkins Engines Limited
THE TECHNOLOGICAL RISK: How can automation programmes be controlled? What if the software does not work? What if development falls behind schedule? The value of simulation systems. Mr John A Collins, OBE TI Domestic Appliances Limited

Registration form for THE FOURTH MANUFACTURING AUTOMATION FORUM. Includes fields for Name, Position, Company, Address, and Tel. Contact: Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355 Tlx: 27347 FTCONF G

Contracts and Tenders

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE INVITATION TO TENDER
Tenders are invited for the urgent supply of 8000 tonnes of soft wheat to Ethiopia for delivery on FOB STOWED and trimmed terms to an EEC port. Loading shall commence no earlier than 7 April 1986 and no later than 21 April 1986 for 15 days.

Company Notices

ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED
SHARES OF 25 CENTS EACH
NOTICE IS HEREBY GIVEN that the 1985 Annual General Meeting of the company will be held on Monday, 27 April 1986 at 11.00 a.m. at the offices of the company's United Kingdom branch secretary.

Transinsular
Transportes Maritimos Insulares, S.A.
Capital stock is of Esc 1,000,000, decree law Nr 336/84 of 18th October.
We are a shipping company assuring domestic liner trade and general cargo between mainland and Azores and Madeira Islands.

Company Notices
NOTICE TO HOLDERS OF OFTEC DAI-ICHI DENCO CO. LTD.
3 1/2 PER CENT CONVERTIBLE BONDS DUE 1999
WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK

TECHNOIMPEX
The competent Hungarian authorities have decided to modernise the agricultural helicopter fleet of the country. Within this framework we intend to invite the manufacturers to submit their offers in the form of an exclusive tender. Major requirements of the Tender Specification are as follows:
Technical requirements: Empty weight of helicopter 1100 kg, Engine gas turbine, Working speed 160 km/h, Spraying swath 18 m, Turning time 10-12 sec, Average spraying dose 50 lit/hectare, Useful load of chemicals 450-430 kg, Average cruise distance 2000 m, Performance 105-110 hectares/flight hours.

RHONE-POULENC S.A. INTERNATIONAL ISSUE OF FRF 100,000,000 7,50% DUE APRIL 15, 1987
We inform the bondholders that the redemption instalment of FRF 10,000,000, nominal due on April 15, 1986 has been satisfied by purchase on the market of FRF 5,400,000, nominal due on and by the drawing for redemption of FRF 4,600,000, nominal on February 25, 1986, in Luxembourg, in the presence of an Huissier.

Personal
YOU CAN HELP OUR OPERATION BE A SUCCESS.
OUR Surgical Research Fund relies solely on donations from the public. Please help us to continue this vital work by sending your donations to: THE SURGICAL RESEARCH FUND
Royal College of Surgeons, 57 Lincoln's Inn Fields, London WC2A 3PW

Clubs
BWP has notified the clubs because of a policy of fair play and value for money.
Art Galleries
BROWSE & DAREY, 01-734 7994. THOMAS NEWBOLD paintings.

WORLD STOCK MARKETS

AUSTRIA 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

GERMANY 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

AUSTRALIA 1985-86 March 7 Price High Low March 7 Price High Low

JAPAN 1986-6 March 7 Price High Low March 7 Price High Low

BELGIUM/LUXEMBOURG 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

NETHERLANDS 1985-86 March 7 Price High Low March 7 Price High Low

CANADA 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

MONTREAL Closing prices March 7

DENMARK 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

NORWAY 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

SWEDEN 1985-86 March 7 Price High Low March 7 Price High Low

SPAIN 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

FRANCE 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

HONG KONG 1986-6 Mar. 7 Price High Low Mar. 7 Price High Low

SOUTH AFRICA 1985-86 Mar. 7 Price High Low Mar. 7 Price High Low

SINGAPORE 1985-86 March 7 Price High Low March 7 Price High Low

SWITZERLAND 1985-86 March 7 Price High Low March 7 Price High Low

ITALY 1985-86 March 7 Price High Low March 7 Price High Low

NEW YORK INDICES 1985-86 Since Comp

NEW YORK ACTIVE STOCKS

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

NEW YORK ACTIVE STOCKS (continued)

CANADA TORONTO Closing prices March 7

Table of Canadian stock prices including Toronto and Montreal markets.

OVER-THE-COUNTER Nasdaq national market, closing prices March 7

Table of over-the-counter stock prices from the Nasdaq national market.

NYSE COMPOSITE CLOSING PRICES March 7

Table of NYSE composite closing prices for various sectors.

Special Subscription HAND DELIVERY SERVICE of the FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER in THE NETHERLANDS. Includes a map of the Netherlands and contact information for Richard Willis.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, March 7

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'G G G', 'C C C', 'E E E', and 'H H H'.

Handwritten signature or scribble at the bottom of the page.

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include 12 Month High, Low, Stock, Div. Yld., P/E, 100s High, Low, Close, and Change. Lists various stocks such as AIG, AIGP, AIGS, etc.

Table of AMEX Composite Closing Prices. Columns include 12 Month High, Low, Stock, Div. Yld., P/E, 100s High, Low, Close, and Change. Lists various stocks such as AIG, AIGP, AIGS, etc.

OVER-THE-COUNTER Nasdaq national market, closing prices March 7

Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, Sales, High, Low, Last, and Change. Lists various stocks such as AIG, AIGP, AIGS, etc.

Continued on Page 31. Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high and low are divided and shown for the new stock only. Unless otherwise noted, rates of dividends are annual dividends based on the dividend declaration.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Fed reacts to economic sloth

By COLIN MILLHAM

Friday's cut in the US Federal Reserve's discount rate by 1/2 per cent to 7 per cent came as a surprise to the foreign exchange market, in spite of similar reductions by the West German Bundesbank and the Bank of Japan.

Domestic factors called for an early cut, but concern about the dollar suggested a more cautious approach. US money supply rose rather more than expected in the last reporting week, with M1 increasing by \$3.7bn, compared with forecasts of around \$2.3bn.

Recent economic figures indicate very sluggish growth. February retail sales figures are due for publication on Thursday, and are expected to be roughly unchanged, but Friday's producer price index should fall sharply, perhaps by 1.5 per cent, reflecting the fall in oil prices.

Last week saw January leading indicators fall 0.6 per cent.

£ IN NEW YORK

Table with columns: Close, Mar. 7, Prev. close. Shows exchange rate for £ in New York.

against expectations of a rise of about 0.5 per cent, while the December figure was revised to a rise of 1.5 per cent from 0.9 per cent.

February retail sales figures are due for publication on Thursday, and are expected to be roughly unchanged, but Friday's producer price index should fall sharply, perhaps by 1.5 per cent.

Slow economic growth, coupled with falling inflation, have provided the background for lower interest rates in the US, in spite of the weaker dollar.

Reagan Administration wished to see a decline, to correct the very large US trade deficit, but also because of disappointing economic expansion.

Table with columns: Close, High, Low, Prev. Shows various currency rates.

US TREASURY BILLS (MM) 31m points of 100%.

Table with columns: Close, High, Low, Prev. Shows US Treasury Bills rates.

US TREASURY BONDS (CBT) 8% \$100,000 32nds of 100%.

Table with columns: Close, High, Low, Prev. Shows US Treasury Bonds rates.

US TREASURY BILLS (MM) 31m points of 100%.

Table with columns: Close, High, Low, Prev. Shows US Treasury Bills rates.

US TREASURY BONDS (CBT) 8% \$100,000 32nds of 100%.

Table with columns: Close, High, Low, Prev. Shows US Treasury Bonds rates.

CURRENCY FUTURES

ROUND-5 (FOREIGN EXCHANGE) Spot, 1-month, 3-month, 6-month, 12-month.

Table with columns: Close, High, Low, Prev. Shows currency futures rates.

CHICAGO US TREASURY BONDS (CBT) 8% \$100,000 32nds of 100%.

Table with columns: Close, High, Low, Prev. Shows Chicago US Treasury Bonds rates.

US TREASURY BILLS (MM) 31m points of 100%.

Table with columns: Close, High, Low, Prev. Shows US Treasury Bills rates.

CHICAGO DEPOSIT (MM) 31m points of 100%.

Table with columns: Close, High, Low, Prev. Shows Chicago Deposit rates.

THREE-MONTH EURO-DOLLAR (MM) 31m points of 100%.

Table with columns: Close, High, Low, Prev. Shows Three-Month Euro-Dollar rates.

IMM-STERLING 5s per £.

Table with columns: Close, High, Low, Prev. Shows IMM-Sterling rates.

THREE-MONTH EURO-DOLLAR (MM) 31m points of 100%.

Table with columns: Close, High, Low, Prev. Shows Three-Month Euro-Dollar rates.

IMM-STERLING 5s per £.

Table with columns: Close, High, Low, Prev. Shows IMM-Sterling rates.

LIFFE-EURODOLLAR OPTIONS

31m points of 100%.

Table with columns: Strike, Price, Call, Put, Vol. Shows Liffe-Eurodollar Options.

LIFFE £/S OPTIONS 250,000 (cents per £).

Table with columns: Strike, Price, Call, Put, Vol. Shows Liffe £/S Options.

LONDON \$E/S OPTIONS £12,500 (cents per £).

Table with columns: Strike, Price, Call, Put, Vol. Shows London \$E/S Options.

PHILADELPHIA \$E/S OPTIONS £12,500 (cents per £).

Table with columns: Strike, Price, Call, Put, Vol. Shows Philadelphia \$E/S Options.

LONDON FT-SE 100 INDEX 225 per full index point.

Table with columns: Close, High, Low, Prev. Shows FT-SE 100 Index.

30-YEAR 12% NATIONAL GILT £50,000 32nds of 100%.

Table with columns: Close, High, Low, Prev. Shows 30-Year 12% National Gilt.

10% NATIONAL SHORT GILT £100,000 84ths of 100%.

Table with columns: Close, High, Low, Prev. Shows 10% National Short Gilt.

THREE-MONTH STERLING £50,000 points of 100%.

Table with columns: Close, High, Low, Prev. Shows Three-Month Sterling.

LIFE THE LONDON INTERNATIONAL FINANCIAL FUTURES EXCHANGE. Options on U.S. Treasury Bond Futures Contracts and Options on Long Gilt Futures Contracts.

WestLB Eurobonds • DM Bonds • Schuldscheine for dealing prices call. Marketmakers in Deutschmark Bonds.

CAISSE CENTRALE DE COOPERATION ECONOMIQUE. US\$100,000,000 Annual Option Notes 1993.

Export Development Corporation Société pour l'expansion des exportations. 8 1/2% Notes Due April 1, 1992.

DAIWA BANK a fully integrated banking service. Head Office: Osaka, Japan.

CURRENCY MOVEMENTS

Table with columns: Mar. 7, % change, Bank of, Morgan, Country, Index, Change %.

Morgan Country changes: 1990-1992=100, Bank of England index (base value 1975=100).

POUND SPOT—FORWARD AGAINST POUND

Table with columns: Mar. 7, Day's spread, Close, One month, % change, Three months, % change.

FORWARD RATES AGAINST STERLING

Table with columns: Spot, 1-month, 3-month, 6-month, 12-month.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Euro central rates, Currency against Euro, % change, % change adjusted for divergence limit %.

MONEY MARKETS

London cool on rate move

Interest rates fell on the London money market last week, but there was no indication the Bank of England was considering endorsing an early cut in clearing bank base rates.

CURRENCY RATES

Table with columns: Mar. 7, Bank rate, Special Drawing Rights, European Currency Unit.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Table with columns: Mar. 7, Day's spread, Close, One month, % change, Three months, % change.

EURO-CURRENCY INTEREST RATES

Table with columns: Mar. 7, Short term, 7 days notice, 1 Month, Three Months, Six Months, One Year.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Mar. 7, Feb. 28, Mar. 7, Feb. 28.

FT LONDON INTERBANK FIXING

Table with columns: Mar. 7, Over night, 7 days notice, 1 Month, Three Months, Six Months, One Year.

EXCHANGE CROSS RATES

Table with columns: Mar. 7, \$, DM, Yen, Ffr, Hfl, Lira, Cs, Sfr.

NEW YORK

Table with columns: Prime rate, Broker loan rate, Fed funds rate, Fed funds at intervention.

LONDON MONEY RATES

Table with columns: Mar. 7, Over night, 7 days notice, 1 Month, Three Months, Six Months, One Year.

MONEY RATES

Table with columns: Mar. 7, Over night, One month, Two months, Three months, Six months, Lombard.

Handwritten note in Arabic script.